

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,574

Monday June 27 1988

D 8523 A

Brussels: The EC's changing of the guard, Page 17

Austria	100.00	Italy	100.00	Spain	100.00
Belgium	100.00	Japan	100.00	UK	100.00
Canada	100.00	US	100.00	France	100.00
Denmark	100.00	West Germany	100.00	Switzerland	100.00
Finland	100.00	Yugoslavia	100.00	Other	100.00
France	100.00	Other	100.00	Other	100.00
Germany	100.00	Other	100.00	Other	100.00
Greece	100.00	Other	100.00	Other	100.00
Hong Kong	100.00	Other	100.00	Other	100.00
India	100.00	Other	100.00	Other	100.00
Indonesia	100.00	Other	100.00	Other	100.00
Israel	100.00	Other	100.00	Other	100.00
Japan	100.00	Other	100.00	Other	100.00
UK	100.00	Other	100.00	Other	100.00
USA	100.00	Other	100.00	Other	100.00
West Germany	100.00	Other	100.00	Other	100.00
Yugoslavia	100.00	Other	100.00	Other	100.00

World News

Conciliation plan for New Caledonia negotiated

French Prime Minister Michel Rocard announced a plan for the Pacific territory of New Caledonia, negotiated and agreed with the leaders of the two opposed communities in the territory and seen as a success for his policy of national conciliation.

Soviet planes hit

Fire and explosions destroyed eight Soviet SU-26 fighter aircraft at Kabul airport last week in the biggest single blow to Soviet air power of the Afghan war.

Iraq victory claim

Iraq claimed to have driven the last Iranian soldier from its southern territory after achieving its third big victory against Iran in two months.

Cairo silence

Egypt made no comment on reports that five people, including two Egyptian colonels, have been charged in the US with attempting to smuggle a carbon compound used for missiles out of the US on an Egyptian Air Force Hercules.

Kuwait-Egypt deal

Kuwait has signed a deal with Egypt to buy about 100 Egyptian-made armoured personnel carriers and an air defence system to boost its defences against possible Iranian attacks.

Gandhi reshuffles

Indian Prime Minister Rajiv Gandhi announced a Government reshuffle in an attempt to recover political initiative after by-election setbacks a week ago.

Weinberger denial

Former US Defence Secretary Caspar Weinberger said on television that he does not deserve blame for possible violations of military procurement rules during his tenure.

Star wars cost curbed

A committee of negotiators for the US Senate and House of Representatives have agreed to curb the growth of funding for President Reagan's Strategic Defence Initiative.

HK deal on garrison

Year-long talks between Britain and Hong Kong on the funding of the 9,000-strong British garrison have resulted in a 10 per cent cut in the territory's share of the bill.

Los Angeles quake

An earthquake measuring 4.5 on the Richter scale shook eastern Los Angeles, knocking goods off shelves and smashing some windows, but no serious injuries were reported.

Gunmen free professor

Gunmen in Colombo who kidnapped Professor Ralph Buljens, a Sri Lankan academic on holiday there from his post at New York University, later freed him unharmed.

Taiwan challenge

Taiwan progressives have begun agitating for the replacement of Premier Yu Kuo-hwa less than two weeks before the 13th congress of the ruling Nationalist Party.

PLO factions duel

Three Syrian soldiers were killed by a shell during fighting between rival Palestinian factions in Beirut. The two sons of a Palestinian leader died when his booby-trapped car exploded in south Lebanon.

Mont Blanc victim

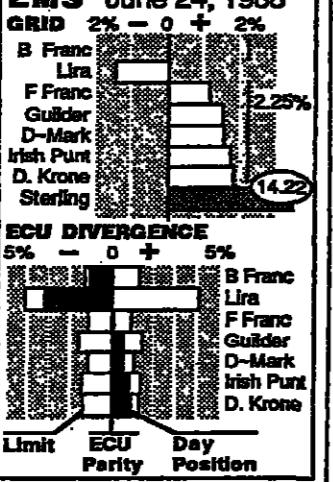
A British mountain climber fell several hundred meters to his death on the north face of Mount Blanc. French mountain police said, after apparently getting lost in fog.

Business Summary

American Airlines and BA resolve dispute

BRITISH AIRWAYS and American Airlines reached an out-of-court settlement in a long-running dispute over access to rival computer reservation systems for airline tickets.

EUROPEAN Monetary System: West German interest rose as expected, but the D-Mark still finished at an eight-month low against the dollar. The Bundesbank intervened in currency markets although there was no support from other G7 banks. The D-Mark's performance elsewhere was equally unimpressive as investors preferred to take long positions in both the dollar and yen.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2 1/2 per cent. The lower chart gives each currency's divergence from the 'central rate' against the European Currency Unit (ECU), itself derived from a basket of European currencies.

SPAIN: Efforts to merge the country's two biggest banks

Spain's central bank, Banco de España de Crédito (Banesto), were given a boost after concessions by Alfonso Escamez, Banco Central's embattled chairman.

TOKYO: Share prices closed lower on profit taking on Saturday

with investors holding off due to uncertainties about the future direction of the dollar-yen rate. The Nikkei index fell 194.18 to 27,556.21 after rising 17.46 points on Friday. World stock markets, Page 31.

YUGOSLAVIA: National bank of Yugoslavia will withdraw coins of less than 10 dinar denomination

because of an inflation rate of 149 per cent, a Yugoslav news agency said.

JAPANESE companies may be the biggest winners from European Community's plans for a single market by 1992

said a British economic consulting firm.

SOUTH KOREAN electronics makers will temporarily stop selling colour television sets and video cassette recorders to the European Community to prevent trade friction with the region, industry officials said.

US AND JAPAN said they had reached an agreement designed to open the Japanese market to a variety of American consumer goods.

LUXEMBOURG steel group Arbed, which last year made a loss of LF72.3bn (\$86.3m) on sales of LF74.8bn, expects trading in the current year to result in a substantial recovery.

KRAFT, US food processing group, negotiating to acquire all or part of Parmalat, Italian food and dairy producer, examined a legal audit of the company in Milan.

BEAR STEARNS, Wall Street securities house, has acquired the equivalent of 5.7 per cent of Essex Chemical, New Jersey-based maker of sealants and adhesives.

CONTINENTAL AIRLINES, one of two main operating subsidiaries of Texas Air, biggest US airline group, is to take a charge of \$181m for underestimating ticketing liabilities.

CONTENTS

Overseas	2-4	Financial Diary	23
Companies	22, 23	Int. Capital Markets	18, 21
Britain	6, 8	Letters	17
Companies	22	Lex	18
Management	8	Monday Page	9
Money Markets	34	Money Markets	34
Observer	16	Stock markets - Sources	31
Stock markets - Sources	31	London	27-31
UK jobs	20	UK jobs	20
Unit Trusts	24-27	Unit Trusts	24-27
US bonds	29	US bonds	29
Weather	18	Weather	18

Four die as Airbus A-320 crashes at French air show

FOUR PEOPLE were reported dead and 98 injured after an Air France Airbus A-320 crashed yesterday afternoon on a demonstration flight at an air show in eastern France, writes Ian Davidson in Paris and Michael Doms in London.

Up to 30 people were unaccounted for last night amid confusion over how many had been on board. Airbus Industrie, the European consortium which makes the Airbus range, said there had been 186 passengers but police, who appealed to all on board to come forward, gave the total on board as 127. Police said the missing could include people trapped in the wreckage or some who fled from the crash after receiving slight injuries.

Düsseldorf and Berlin but said it intended to use its two remaining models as usual today. The aircraft on the demonstration flight had been delivered to Air France on Thursday. The A-320 is the most recent model in the Airbus range and represents a new generation of technology which the manufacturer claims makes it the most economic 150-seater airliner. It is the first airliner to employ computer-driven "fly-by-wire" controls, as well as a lighter carbon-fibre fin and tail-plane. It also incorporates an advanced wing design and newly developed engines.

Thatcher to resist new Kohl summit move for EC central bank plan

BY OUR FOREIGN AND POLITICAL STAFF

MRS MARGARET THATCHER will firmly restate Britain's opposition to the creation of a European central bank when she meets other EC leaders at the Hanover summit, which begins today.

The British Prime Minister is expected to come under renewed pressure to support proposals being put forward by Mr Helmut Kohl, the West German Chancellor, for gradual steps towards setting up a central bank.

Southern Africa talks end with pledge to meet again

BY VICTOR MALLEY IN CAIRO

THE FOUR-NATION talks on the future of Angola and Namibia ended in Egypt at the weekend with all sides expressing optimism about the negotiations and agreeing to meet again in the US next month.

Banks in dispute with Bahrainis

BY A SPECIAL CORRESPONDENT

TWO INTERNATIONAL banks, Standard Chartered and the British Bank of the Middle East, are in dispute with the ruling Al-Khalifa family of Bahrain over unpaid debts to them.

Gorbachev wins respite from Armenian strike

BY QUENTIN PEEL AND CHARLES HODGSON IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, has gained an important temporary respite on the eve of his crucial Communist Party conference, with the news yesterday that Armenian protesters have called off a general strike in the disputed enclave of Nagorno-Karabakh.

As thousands of conference delegates converged on Moscow and top party officials were locked in key negotiations to decide the final conference agenda, the danger of a major nationalist clash to sour the atmosphere appeared to have receded.

Democrats avoid battle over defence and taxes

By Lionel Barber in Denver, Colorado

US DEMOCRATIC Party leaders have avoided a battle over defence and taxes and agreed an electoral platform which represents a victory for presidential candidate Governor Michael Dukakis of Massachusetts.

All these companies chose the HSA Health Plan.

- The Civil Service Department
- Abbey National Building Society
- British Airways
- British Broadcasting Corporation
- Brooke Bond Oxo
- Economist Newspaper
- Ford Motor Co.
- Arthur Guinness, Son & Co.
- Heinz H.J. & Co.
- L.B.M. United Kingdom
- Kodak
- Marley Tile Co.
- May & Baker
- Metal Box Co.
- Milk Marketing Board
- Nestlé Co.
- Parker Pen Co.
- Plessey Co.
- Redland Bricks

There are several good reasons why these major companies offered their employees the protection of the HSA Health Plan. Just for starters, it is low in cost and high in benefits. Cash payments towards optical care, dental care, hospitalisation and even maternity, to help cope with family health needs.

Find out why.

Send the coupon today for more information. Or phone (0264) 53211 / Freephone HSA

TO: Hospital Saving Association, Hambleton House, Andover, Hants, SP10 1LQ. I would like to know how the HSA Health Plan can help my staff avoid financial worry over family healthcare.

Name _____
Company _____
Position _____
Address _____
Tel _____



Dukakis steering clear of specific commitments

Democrats avoid battle over defence and taxes

By Lionel Barber in Denver, Colorado

US DEMOCRATIC Party leaders have avoided a battle over defence and taxes and agreed an electoral platform which represents a victory for presidential candidate Governor Michael Dukakis of Massachusetts.

The Democrats' weekend platform committee meeting had been billed as much as a sign of the party's electoral intentions as a test of how the Dukakis camp would handle the Rev Jesse Jackson, Mr Jackson, the black civil rights leader from Chicago, who won 7m, largely black, votes in the primaries, ranks as an important party vote-winner in the November presidential elections.

THE MONDAY PAGE INTERVIEW

A.H. Hermann meets Alexander Sukhaver, the Soviet Union's Attorney-General.

Bonn: West Germany looks back in satisfaction on its EC presidency 2
Brussels: Trying to take public procurement tenders across borders 3
Management: A slow handover by Brazil's entrepreneurs 8
Two man-made disasters: The US drought and the savings-and-loan catastrophe 9
Editorial comment: Next step for the EMS; How to pay for television 16
The British education system: Confessions of a schoolboy 17
Lex: Racial tests its investors' faults, Brazil's bankers 18

THE MONDAY PAGE INTERVIEW

A.H. Hermann meets Alexander Sukhaver, the Soviet Union's Attorney-General.

Bonn: West Germany looks back in satisfaction on its EC presidency 2
Brussels: Trying to take public procurement tenders across borders 3
Management: A slow handover by Brazil's entrepreneurs 8
Two man-made disasters: The US drought and the savings-and-loan catastrophe 9
Editorial comment: Next step for the EMS; How to pay for television 16
The British education system: Confessions of a schoolboy 17
Lex: Racial tests its investors' faults, Brazil's bankers 18

OVERSEAS NEWS

Brussels tries again to take public procurement tendering across borders

BY DAVID SUCHAN AND TERRY DODSWORTH

NOTHING annoys EC governments more than Brussels telling them how they can, or cannot, spend their own money. Disapproval of state aid rules as perhaps the European Commission's most unpopular activity; its moves to introduce competition into national public procurement come a close second.

Last week the Commission proposed to extend cross-border competitive tendering into four key sectors - water, energy, transport and telecommunications - where state ownership and/or influence is massive.

The move was no surprise. Public procurement last year amounted to 15 per cent of Community gross domestic product, or some Ecu 500bn (£570bn). The inefficiencies in industries dependent on public contracts can be gauged by the paradoxical fact that capacity utilisation is often very low (20 per cent in boiler-making), even though imports account for only 1-4 per cent of public contracts compared to 20-40 per cent in the European economy as a whole.

A start was made in the 1970s when the Commission persuaded governments to adopt rules requiring the advertising of public works and supply contracts over a certain value in the EC Official Journal, so that potential suppliers from other EC member states could have a chance of tendering. It also required that such foreign bids were not discriminated against. It was a bit of a false start, like much of the 1970s internal market programme. The rules were widely flouted, and only now are the relevant directives being tightened up.

But the water, energy, transport and telecommunications sectors were deliberately excluded. The stated reason was that they presented too varied a mix of public and private ownership and control among EC member states. But Commission officials also say that governments wanted to keep "buy national" policies going to sustain local industry.

Now, the Commission has hit on a new formula to reach the parts of the public markets that the other directives could not reach. The draft directive does not draw a dividing line between public and private. The new key is as much state influence as state ownership. The competitive tendering rules would apply to any purchasing organisation, "which because of the existence of exclusive networks or concessionary rights under public control, are unlikely to be able to resist political pressure to buy 'national' for its own sake."

Under the proposed new rules, the formerly excluded industries would be brought into the system of contract advertising in the Official Journal in Brussels. Any supply contract worth more than Ecu 200,000 and works contract worth more than Ecu 5m would be covered by these regulations - which are bound to cause anxiety around the Community.

One worry is the cost and time involved in advertising in the EC Official Journal and considering responses from all over the EC. Another issue is the position of privatised businesses - most of them, so far, in the UK. British Telecom, though privatised, would, like its competitor Mercury, be covered by the new rules, because it provides public telecommunications services under government licence.

In forthcoming Council of Ministers negotiations on the Commission proposal, one UK official says, "we will have to consider what burdens should be placed on private companies like BT for the benefit of opening up the supply market for the Bundespost" (the state-owned West German telecommunications monopoly). BT itself seems relatively relaxed, even though it buys about 90 per cent of its products in the UK. "We already operate in the spirit of this directive and advertise 10 per cent of our purchases voluntarily in the EC Journal," the company says.

By contrast, airlines would escape EC regulation of their purchasing, even though all EC carriers except for British Airways are partly or wholly state-owned. This is because their procurement is genuinely international. The same would go for petroleum refining and retailing, though not exploration and extraction.

Given the complex nature of sectors like the electricity industry, with obligations to buy high quality equipment that can provide uninterrupted service, the Commission proposes greater flexibility in the rules. Organisations in the hitherto "excluded" sectors could choose to advertise for each contract, or advertise periodically (at the start of their budget year, say), or draw from a "pool" of qualified suppliers, provided it is open to newcomers.

The effects of the proposed procedures will differ from industry to industry. Five examples:

- In the water industry, the Commission admits that there will be relatively little impact. Water utilities are likely to continue buying very largely (85 per cent) from national suppliers, though in certain sophisticated equipment there is potential for intra-Community trade.
- In power equipment, by contrast, greater intra-Community trade might accelerate rationalisation of an over-crowded European sector. The process of restructuring has already started, with the recent merger of Asea of Sweden and Brown Boveri of Switzerland (neither of them based in the EC) to form ABB, inside the Community, among the dominant companies of



● In the railway equipment industry, there is clear potential for a shake-out. Partly because of low demand - 84 locomotives were purchased in the EC last year, compared to 500 in the US - but also because of cartelised national markets, exports within the EC run at only 20-30 per cent of exports to the rest of the world.

If all these markets could be opened to more competition, the Commission sees sizeable savings. Purchasers would gain from buying from the cheapest. Stronger competition would put downward pressure on prices. And to the extent that restructuring resulted in mergers, there would be economies of scale from longer production runs.

But to realise the full gains, the Community would have to guard against substituting external for internal protectionism. There is a tricky problem of balance here. On the one hand, there is a strong argument for giving the Community's public procurers free rein to go to externally-based companies like ABB in the interests of competition. Yet equally, the Community companies will want access to the markets in which these external companies are based.

The EC is proposing to tackle this by negotiating reciprocal liberalisation with third countries. This could mean that external companies might be pushed aside in Community markets unless their governments make matching concessions on procurement.

Key industries affected by public procurement policies

Community market (Ecu)	Current capacity utilisation	Intra-EC trade (per cent)	Number of EC producers	Number of US producers	Economies of scale (per cent)*
Boiler-making	20	very little	12	8	20
Turbine generators	20	very little	10	2	12
Locomotives	100m	50-80	16	20	20
Mainframe computers	10bn	80	5	9	5
Telephone exchanges	7bn	70	11	4	20
Telephone handsets	5bn	90	12	17	-

* Unit cost reduction resulting from a doubling of output
* Percentage of total demand
Source: EC Commission

Today's EC meeting should run more smoothly than previous ones, says David Buchan Summit will ponder European central bank

EUROPEAN heads of government gather today in Hanover for a summit whose most intriguing, and contentious, element will be debate on whether to initiate study into a possible future common central bank.

But, that issue aside, the course of the Hanover summit is likely to run smoother than the three previous EC summits, which all focused on the Community's budgetary crisis.

EC leaders will be happily aware that they can indulge in two days of wide-ranging discussion of future Community strategy, having seen budget reforms and many key internal market

measures put on the Community statute book under West Germany's successful council presidency, which also ends this week.

But the West German presidency will be put to a final test over the monetary issue. The past year has seen growing calls from several member states for closer EC monetary co-operation to complement the new agreement to start freeing capital movements in two years. The suggestion, now on the table in Hanover, of a study into possible creation of a European central bank emerged essentially out of a dialogue between France and Germany, the same two countries

which were behind the 1978 creation of the European Monetary System (EMS).

There are, however, many divisions about even the desirability of raising the issue of a central bank. No decision actually to create one is remotely on the cards this week. But last week Britain's Prime Minister Mrs Margaret Thatcher said she saw no point in even studying the idea, since it would imply a European government which was not conceivable in anybody's lifetime.

But UK officials say they do not expect discussion on the issue to be acrimonious. Britain could subscribe to calls for more

monetary co-operation that took the form of promoting greater use of the Ecu (European Currency Unit) and of requiring more even-handed obligations inside the EMS, without of course Britain committing sterling to it.

The other main item at Hanover will be the EC internal market programme, on which Mr Jacques Delors, the Commission President (who is now sure to be re-nominated in his post at the summit), wants to put a more "social" accent. Mr Delors said last week he wants Hanover to "send a political signal" to Europe's workers and trades unions that the internal market

programme will now be geared as much to promoting their welfare as to de-regulation for the benefit of business.

Completing the dossier of internal EC business will be a Commission review of the state of the European economy (and particularly the "black" economy), and a discussion led by Mr Kohl on the future difficulties of fighting terrorism in a Europe without internal frontiers.

In addition, EC heads of government and their foreign ministers are expected to review East-West relations, a particular pre-occupation of Bonn.

'Japan may make biggest gains from single market'

BY GUY DE JONGHERES, INTERNATIONAL BUSINESS EDITOR

JAPANESE companies may be the biggest winners from the European Community's plans to create a single market by 1992, according to a study* by the Henley Centre, an independent British economic consulting firm.

As well as taking a cautious attitude towards prospects for adoption of some key elements of the single market plan, the study takes issue with some of the arguments advanced for it by the European Commission.

The study says external economic factors, particularly the US dollar, a narrowing of the difference between American and

European growth rates, and US protectionism are likely to be as important as the 1992 proposals in making the European market more competitive.

European competition was likely to increase regardless of the 1992 programme. Exporters were already shifting their focus from the US to Western Europe, the coming "battleground for the world's exports."

Even if Japanese manufacturers' competitiveness against European industry were weakened by a further rise in the yen, they had ample scope to compensate by cutting profit margins, as

they had already done for the US. Japanese companies had excelled in fast-growing high-technology sectors, which were highly fragmented by intra-EC trade barriers and hence likely to be changed most by a single market. "Consequently, there is a real danger that it will be Japanese companies who have most to gain from completing the internal market," the study says.

The ability of European industry to fight back would depend critically on the reactions of individual companies and, above all, on heavier spending on research and development.

The study also concludes that:

- Price differentials may persist even after formal EC trade barriers are removed, and companies may be from new markets by industry structures, high entry costs and other factors.
- Differing European standards and regulations are less important barriers to trade than businesses believe.
- The UK is alone in the EC in insisting that mergers be judged largely on competition grounds and is therefore likely to be the prime target for takeovers by foreign bidders.

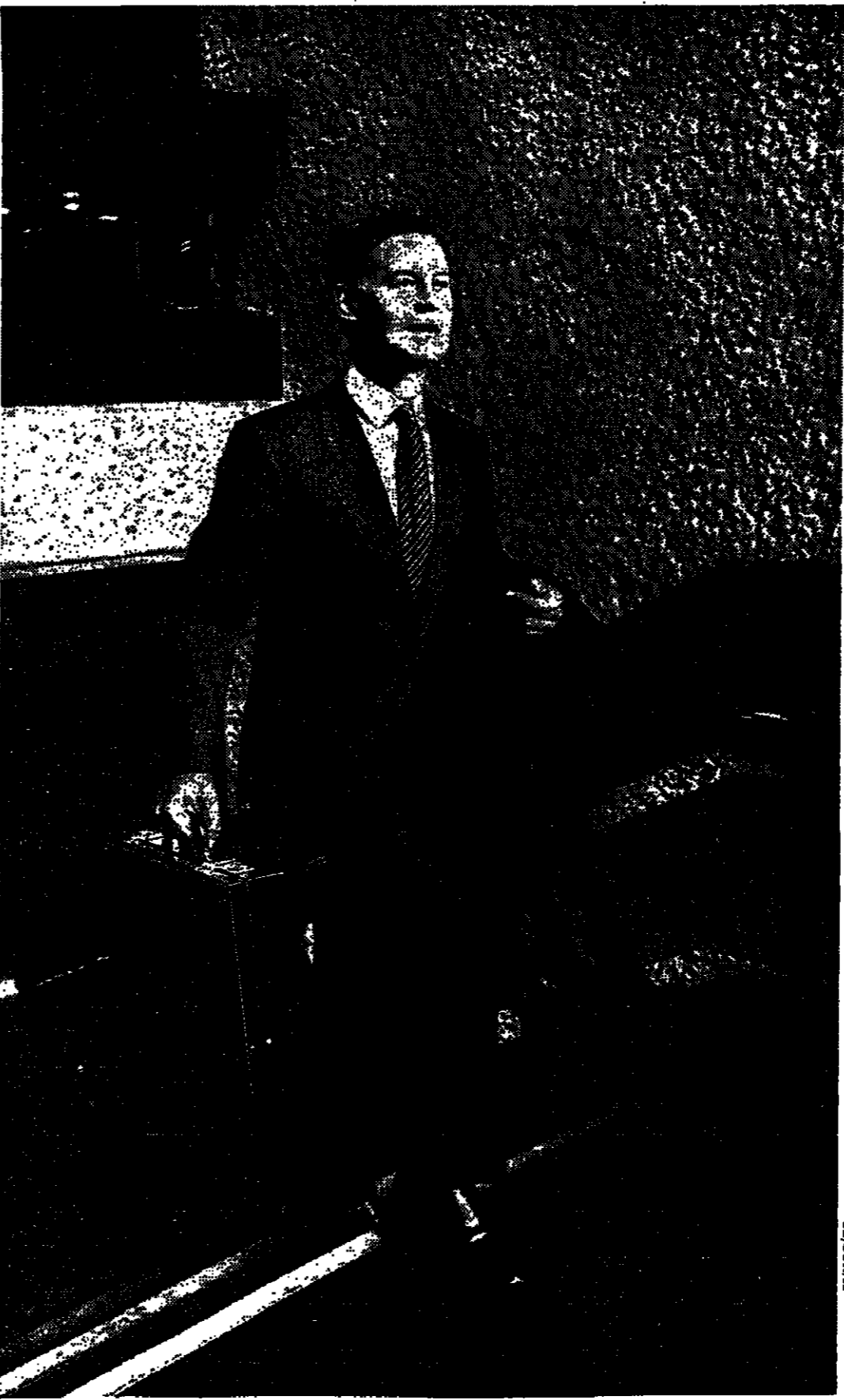
The sectors most likely to benefit from a single EC market are airlines, advertising, consumer medicines, food and drink, leisure and road transport, according to a study by London stockbrokers UBS-Phillips & Drew.

The main losers would be information technology, chemicals, pharmaceuticals and certain types of holding companies. However, some losers could be attractive investment targets as they were open to takeover bids.

*The United Markets of Europe: Henley Centre, 2-4 Tudor Street, London EC4Y 0AA. Tel: 01-353 9961.

SIEMENS

Yesterday, this man lost two stones



We're referring to the removal of kidney stones. Without surgery. Without general anaesthetic.

Without a lengthy stay in hospital. In short, an alternative that reduces the strain on patients as well as hospital resources.

LITHOSTAR® from Siemens is a new generation of machines that dissolve renal and ureteric stones by the use of shockwaves - a principle known as Extracorporeal Shockwave Lithotripsy (or ESWL).

It is a safe and extremely effective method, using a sophisticated X-ray and digital image system to locate the stones, and to control and monitor the treatment.

LITHOSTAR is typical of Siemens continuing commitment that is helping change the face of medicine.

Siemens is one of the world's largest and most innovative electrical and electronics companies, with a clear commitment to providing a consistently high standard of service to our customers - particularly in

- Medical Engineering
- Factory Automation
- Communication and Information Systems
- Electronic Components
- Telecommunications Networks

In the UK alone we employ around 3000 people in five manufacturing plants, research and development, engineering, service and other customer related activities.

For further information on Siemens send for our new booklet 'Siemens in the UK'. Siemens Limited, Siemens House Windmill Road, Sunbury-on-Thames Middlesex TW16 7HS Telephone: 0932 785691



Lithostar in action - fast elimination of kidney stones without surgery

Innovation
Technology
Quality
Siemens

BACK TO THE FUTURE

July Issue

Japan Redesigns its Economy

This month's cover story looks at how Japan is radically changing from export-driven to import-interested. U.S.-Japan Relations: Trade problems persist but bilateral ties remain strong, senior Japanese and American leaders said at Business Tokyo's annual New York and Los Angeles seminars. Politics: Japan's Prime Minister told the Germans Japan wanted to be friendly, but was it true?

Editorial Office:
KEIZAIKAI AOYAMA OFFICE
2-13-18 Minami Aoyama,
Minato-ku, Tokyo 107 Japan

BUSINESS TOKYO

OVERSEAS NEWS

Progressives in call to replace Taiwan premier

BY BOB KING IN TAIPEI

TAIWAN progressives have begun agitating for the replacement of Premier Yu Kuo-hwa and most of his cabinet, less than two weeks before the 13th congress of the island's ruling Nationalist Party is to begin.

A group of MPs from the ruling party, deputies to the national assembly, professors, and others have circulated a statement among delegates to the congress that calls the cabinet of Mr Yu too conservative and unresponsive to public expectations.

"What we need is a cabinet that is creative and forward-looking and able to lead the nation through the present period of transition very quickly," the statement says in part.

The criticism of the 74-year-old mainland-born Mr Yu is not new. During his four years as premier he has borne criticisms ranging from his conservative policies

while running the Central Bank to his heavily-accented spoken Chinese, which many here have difficulty understanding.

Some people even took a series of natural and industrial disasters in the early stages of his stewardship as heaven-sent signs that Mr Yu was not the man for the job.

What is new is that the current calls for a house-cleaning originate within the ruling party itself, rather than with the opposition - a sign that younger party progressives are determined to ensure that the forthcoming congress and events to follow subsequently mark a clear break with the past.

The China News, an English-language daily majority-owned by the ruling party, carried a report on the statement as its front page lead story - another indication that the calls for thorough reforms have wide backing.

Japan in pact to buy more US goods

THE US and Japan said at the weekend that they had reached an agreement designed to open the Japanese market to a variety of American consumer goods, AP reports from Washington.

The initiative, announced by Mr William Verity, US Commerce Secretary, and Mr Hajime Tamura, Japan's Minister of International Trade and Industry, is expected to lead to a substantial increase in consumer exports to Japan.

Initially, the agreement calls for increased access by Japanese consumers to US sporting goods, leisure products, furniture, jewellery, processed foods and pet food.

However, it is also hoped this list will be expanded to include a vast array of US-manufactured consumer goods.

"This initiative is the best way to provide Japanese consumers with a wide variety of products to choose from at American prices, just as Japan has provided quality goods for Americans at competitive prices," Mr Verity said.

He noted that the dollar had declined 51 per cent against the yen since its peak in early 1985, making US products less expensive overseas.

"American products are more price competitive than ever," Mr Verity said. No specific export target had been set in the discussions, but he added, "It is our belief that we can substantially increase exports to Japan from this process."

Mr Tamura said domestic demand in Japan was rapidly expanding and now was the best possible opportunity for market entry.

The Japanese have been stimulating their economy to increase domestic demand as a means of reducing economic imbalances with trading partners and to head off trade protectionist measures from countries overseas, including the US.

The Commerce Department said that in 1987 the US exported to Japan \$204m (£113m)-worth of sporting goods and leisure products, along with \$33.7m-worth of furniture.

US computer services seek an offshore home

BEHIND rows of video displays across the Caribbean, thousands of workers, mainly women, are processing airline and hotel reservations, entering data for banks, credit card companies and car rental agencies, typing address labels and typesetting US telephone directories and manuscripts of potential million-selling novels.

They are part of the region's rapidly expanding data entry sector which has been making the most of efforts by US companies to cut production costs by moving parts of their operations offshore to the Caribbean.

The sector will be given a fillip next month when a high-speed data transmission facility will be opened on the Jamaican north coast next month.

The decision by several US companies to move increasing quantities of their data entry operations to the Caribbean has been influenced by difficulties the companies have in keeping costs down and gaining a competitive edge. Production costs, especially labour, are much lower in most Caribbean countries.

Most of the data entry operations, carried out by regional or US companies under contract, are located in Barbados, the Dominican Republic and Jamaica. In the vanguard of the new industry was American Airlines which established a subsidiary, Caribbean Data Services, in Barbados four years ago.

Egypt stays silent over colonels charged in US

BY VICTOR MALLETT IN CAIRO

EGYPT has maintained a stony silence over news that five people, including two Egyptian colonels, have been charged in the US with attempting to smuggle a carbon compound used for missiles out of the US on an Egyptian Air Force aircraft.

Egypt is one of the closest US allies in the Middle East and is second only to Israel in the amount of US aid it receives each year.

Mr Frank Wisner, US ambassador to Egypt, sought to play down the possible crisis in relations. "It is a very important relationship between the US and Egypt," he said, "and problems can be managed".

In Cairo, the main question is whether Egypt will be able to weather the storm as easily as

processing American Airlines' ticketing data, with the airline saying it had cut costs by a half of what it paid when the work was being done in Oklahoma.

Caribbean Data Services is expanding its operations this year to include transcribing and

Caribbean governments and companies have stressed the fact that wages paid to their workers are much less than those in the US. In Jamaica, data entry operators earn the equivalent of \$50 weekly, and in the Dominican Republic, about \$30.

computers, with the day's work, put on disks and flown back to the US.

There is now increasing reliance on telecommunications systems which switch large packets of data from the region to the US, Canada and Europe.

The new Jamaican facility, a teleport, is expected to attract more data processing companies not only to the island but to other parts of the Caribbean. It will be owned by Cable and Wireless and American Telephone and Telegraph, with each holding a 35 per cent stake, and Telecommunications of Jamaica which holds the remaining equity.

It will offer clients, most of which are to be from the US, facilities for data entry operations, telemarketing, airline and hotel reservations and offshore office services.

The venture, to cost \$8m, will be based on an earth station in Montego Bay, and will initially use satellite transmission, switching later to a \$140m fibre-optic cable linking the Caribbean to the US, currently being built by AT&T.

"About two years ago a lot of local companies were set up to do data entry," explained Mrs Denise Henry, director of the manufacturing industries division of Jamaica Promotions, a state agency which encourages investment.

"Since then the number of new companies being created has slowed down, but they are all doing more work under contracts

from the US. "When the teleports going we expect a flood of new companies and new business."

The data entry sector currently employs about 4,000 workers across the Caribbean, but the US Agency for International Development

American Airlines established Caribbean Data Services in Barbados four years ago. The company started by processing American Airlines' ticketing data, and the airline said it had cut costs by a half of what it paid when the work was done in Oklahoma.

opment, which commissioned a recent study on the sector, said employment will reach about 20,000 in the early 1990s.

Although most investments in data entry are concentrated in countries which have advanced telecommunications infrastructure, the AID report concluded that Grenada, St Lucia, St Kitts-Nevis and Montserrat offered "attractive alternatives" for US

investors, although these countries' telecommunications facilities were less sophisticated.

In their efforts to attract data entry business, Caribbean governments and companies have made much of the fact that wages paid to workers in those regions are much less than those for similar work in the US. In Jamaica, for example, data entry operators earn the equivalent of \$50 weekly, while those in the Dominican Republic earn about \$30.

According to Dominican officials, wage costs in a similar operation in the US are about \$160. But the agency's study concludes that the wage factor is not the most important determinant in investment decisions.

It says the region is best suited for data processing operations which require turn-around time of between three and 10 days. The dependability of this turn-around time and the quality of the work, says the report, are more important to investors than the cost advantage of lower wages.

Companies using the facilities of Caribbean sub-contractors also regard the region's proximity to the US as an incentive which reduces the cost of transportation of the raw information and the return of the processed work. They say freight charges account for about one third of data entry costs in cases where the processed information is shipped to the US on computer disks.

De Mita adopts plans to reform local government

BY JOHN WYLES IN ROME

THE Italian government led by Mr Ciriaco De Mita has given the first eagerly awaited taste of its reforming intentions by adopting proposals which would greatly alter the shape and practice of local government in Italy.

The draft law to be put before parliament is the first element in a programme of institutional reform which the coalition parties regard as essential for improving the performance of the political system and the bureaucracy.

The Government wants to give more planning authority to provincial councils on environmental and civil protection matters.

Five provinces based on some of the largest cities - Rome, Turin, Milan, Naples and Genoa

would become metropolitan authorities with planning powers over the communal councils.

For the first time, local authorities will be given powers to raise some of their own revenue in local taxes. Unruly politicians, meanwhile, are to be brought to order and required to deliver a great deal more stability of government at local level than currently exists.

Here, the Italian proposal borrows from German practice by using the vote of "constructive no-confidence". This means that the governing majority on a council can only be overturned by a simultaneous vote which installs a new governing majority together with its policy programme.

Polis may prove disappointing for Occhetto

By John Wyles

JUST over 1m voters in two regions of northern Italy go to the polls today and tomorrow in local elections which may prove a disappointing debut for Mr Achille Occhetto, the new leader of the Italian Communist Party.

The voters of Friuli-Venezia Giulia and Val D'Aosta are expected to confirm the trend established in more extensive local elections a month ago. Then, the Communists lost votes to the Socialists.

Since his election to the top Communist job, Mr Occhetto has apparently encountered a belief among local leaders that the party's electoral slide will not be arrested.

Israel has been able to do in similar scandals in the past.

The US has said that one of the Egyptian colonels involved in the missile affair is based in Washington and has claimed diplomatic immunity. The other is based in Vienna, and the US will attempt to extradite him.

Three Americans have also been charged - an Egyptian-born missile engineer and his wife, and a marketing representative for a US military contractor.

According to court documents, the accused planned to ship more than 400lb of the carbon compound back to Egypt on a military aircraft. The substance is said to improve the accuracy of missiles by protecting them from heat.

Hong Kong's cost of UK garrison cut by 10%

BY KEVIN HAMLIN IN HONG KONG

A YEAR of bitter negotiations between Britain and Hong Kong on the funding of the 9,000-strong British garrison have resulted in the territory's portion of the bill being cut by 10 per cent, but some local politicians will attempt to block the new deal.

The agreement, to be initiated in London today, sees Hong Kong's share of maintaining the garrison falling from 75 per cent to 65 per cent for the nine years until June 30th, 1997, when China resumes sovereignty. Last year the territory's taxpayers paid HK\$1.7bn (£121m) towards defence costs, with Britain picking up the remaining HK\$572m.

The stormy negotiations collapsed in March when Hong Kong officials, aware that many local politicians feel the territory is paying a subsidy for Britain's armed forces, adopted an intransigent position. The garrison in Hong Kong is more than three times bigger than that main-

tained in the Falklands. It subsequently appeared Britain would agree only to a 5 per cent reduction in Hong Kong's share of the costs. But while the final outcome is thus better than many expected, some legislative councillors remain unhappy with the new agreement.

They plan to vote against it when it goes before the Legislative Council Finance Committee in July. The Government needs the approval of the Finance Committee before releasing funds for the garrison's upkeep.

China has said Hong Kong will pay nothing towards maintaining troops from the People's Liberation Army after 1997.

As it was widely understood Hong Kong's share of defence costs would be reduced on a sliding scale up to 1997, there was also dissatisfaction that a one-off agreement covering nine years had been reached.



There's still no place like it. Call home.

No matter where your business takes you, don't let it take you away from family and friends. Just pick up the phone. And feel the warmth of home. Reach out and touch someone.



The right choice.

INTRODUCING SPEARHEAD

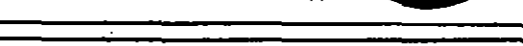


1992 European Single Market Database

Spearhead is an online database of vital Single Market Information developed by the DTI as part of the "Europe Open For Business" campaign. It summarises the current and prospective European Community measures which will mean change for businesses between now and 1992 - and gives access to the full text of relevant Community legislation.

Spearhead is only available through PROFILE Information, a part of the Financial Times Group. It can be dialled directly by subscribers to PROFILE on an ordinary telephone line.

For full details contact PROFILE Information of Sunbury House, 77 Station Road West, Sunbury-on-Thames, Middlesex TW16 7AH or telephone (0922) 763444.



Citicorp Banking Corporation U.S. \$250,000,000

Guaranteed Floating Rate Subordinated Capital Notes Due July 10, 1997 Unconditionally Guaranteed on a Subordinated Basis by CITICORP

Pursuant to Paragraph 10 of the Terms and Conditions of the Notes notice is hereby given that the period in respect of Coupon No. 11 will run from July 13, 1988 to October 13, 1988. A further notice will be published advising Rate of Interest and Coupon amount payable.

June 27, 1988, London
By: Citicorp, N.A. (CSI Dept.), Agent Bank **CITIBANK**

National & Provincial Building Society

£200,000,000 Floating Rate Notes 1996

Notice is hereby given that the Rate of Interest has been fixed at 9 7/8% p.a. and that the interest payable on the relevant interest Payment Date 23rd September, 1988 against coupon No. 10 in respect of £5,000 nominal of the Notes will be £117.04 and in respect of £100,000 nominal of the Notes will be £2,340.85.



Notice to Lombard Depositors

The following interest rates will apply from 27th June 1988

Notes for depositors entitled to receive net interest | Rates for depositors entitled to receive gross interest | Basic rate tax payer

14 DAYS NOTICE Minimum notice deposit £5,000

When the balance is £5,000 and above

8-000 % PA | 6-140 % PA | 8-187 % PA

When the balance is below £5,000

6-000 % PA | 4-605 % PA | 6-140 % PA

CHEQUE SAVINGS ACCOUNTS Minimum notice deposit £1,000

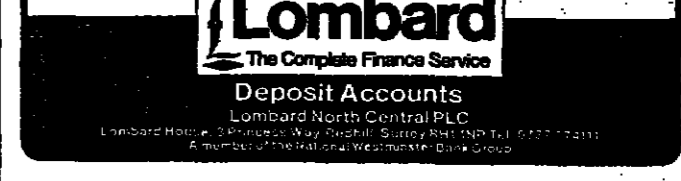
When the balance is £5,000 and above

7-125 % PA | 5-468 % PA | 7-291 % PA

When the balance is £1,000 up to £4,999

5-125 % PA | 3-933 % PA | 5-245 % PA

Interest is credited on each published rate change, and not less than half yearly.



Deposit Accounts
Lombard North Central PLC
Lombard House, 25 Abchurch Lane, London EC4N 3DF
Lombard House, 25 Abchurch Lane, London EC4N 3DF

State Bank of India

State Bank of India announces that its base rate is increased from 8.5% to 9% per annum with effect from June 23, 1988

Travelling by air on business?

Enjoy reading your complimentary copy of the Financial Times when you are travelling on scheduled flights from London with... Lufthansa, TWA, Sabena, Pan-Am, British Airways, British Caledonian, Air France

FINANCIAL TIMES
Europe's Business Newspaper

UK NEWS

Universities seek extra £50m to aid restructuring

By David Thomas, Education Correspondent

BRITAIN'S university vice-chancellors have asked the Government for £50m in extra funds so that they can continue shedding academic staff and rationalising departments into the early 1990s. They have also told the Government they are planning to introduce more flexible pay systems and have warned they will need above-inflation, across-the-board pay rises next year if they are to avoid difficulties in recruiting, retaining and motivating academic staff.

Privatisation 'has not made BT more efficient'

By Hugo Dixon

PRIVATISATION has done little or nothing to improve British Telecom's efficiency, according to a study by economists at the University of Newcastle. Their conclusion is the result of a comparison of BT's "total factor productivity" with that of telephone companies in other countries.

Poor 'paying more in tax'

By Alan Pike, Social Affairs Correspondent

BRITAIN'S overall tax burden has risen since 1979 and is now less fairly shared between the rich and poor, the Low Pay Unit says in a review of the effects of this year's Budget changes on the poor published today. In spite of income tax cuts since the Conservative Party came to power, says the unit, many low-wage couples are paying more direct tax as a proportion of their earnings than in 1979-80.

Strokes 'cost NHS £550m'

By Peter Marsh

TREATMENT OF stroke victims costs the National Health Service about £550m a year, roughly 4 per cent of state health spending, according to a report from the Office of Health Economics published today. The cost of treating the 320,000 or so people who suffer from the condition each year comes mostly from hospital care and does not include home nursing expenditure and other expenses to the community.

Burton plans travel expansion

By David Churchill, Leisure Industries Correspondent

THE BURTON Group, the high street clothing retailer, is planning to expand its activities in the travel agency business. Burton moved into travel last year when it acquired a 50 per cent stake in Abroad Travel, a small travel agency business in the Midlands and north of England. Now it is looking at plans to expand the nine shops into a 200-strong national chain as well as other ways of selling holidays and travel accessories.

Britain 'not suffering a drinking epidemic'

By Lisa Wood

CLAIMS THAT Britain is suffering from an epidemic of alcohol consumption are mistaken, according to a report from Industry Forecasts, the market research organisation. The report, Trends in Alcoholic Drink Consumption in the UK, examines long-term drinking trends in the UK over the past 300 years. Industry Forecasts says that critics of the drinks industry, including the Royal College of Physicians, have almost all used the year immediately after the Second World War as a base for proving that consumption was growing rapidly. It argues that using this period... when alcohol consumption dropped to 3.7 litres of pure alcohol (ipa) per head...

Industry Forecasts says: "It is extremely obvious from looking at the long-term data trends that the increase in the postwar years was neither aberrant nor unusual. It was simply a return to more normal or usual levels of consumption." The report says factors that will influence the UK alcoholic drinks market in the future include consumers' disposable income, the price of alcohol and the price of drinks relative to each other.

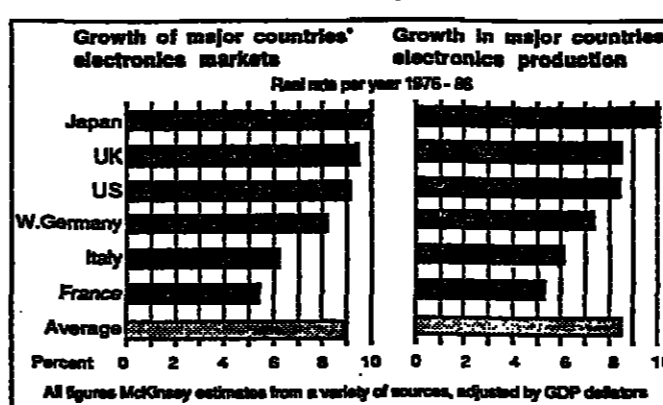
Army helicopter project may merge with rival

By David White, Defence Correspondent

BRITAIN is studying the possibility of merging its collaborative Army helicopter project with a rival Franco-German programme to pool development costs. Lord Treigarna, Minister for Defence Procurement, yesterday confirmed that a link-up was under consideration, although he added that a decision was still "a long way off."

Terry Dodsworth on a gloomy picture of British manufacturers painted by McKinsey Electronics industry faces harsh home truths

THE MCKINSEY report on the UK electronics industry contains hardly a single glimmer of comfort for the home industry. The study, prepared over the last six months for the National Economic Development Council by the US consultancy group, paints a relentlessly gloomy picture of the British-owned manufacturers, in spite of their enjoyment of a relatively buoyant domestic market.



Indigenous British manufacturers are indicted for their lack of adventure in overseas markets, their heavy concentration on the domestic defence sector, low investment and the inadequacy of their managerial organisations. They will, the report suggests, be hard pressed to survive in the highly international markets of the 1990s. By contrast, the report shows that the UK as a whole has been a relatively satisfactory area in which to manufacture electronics products in the last few years.

First, output growth and exports have lagged behind the development of the market, leaving the UK with a yawning £2bn trade deficit by 1985. Secondly, a great deal of the expansion in production has been created by multinationals operating in Britain. The report does not suggest that all of this is bad, indeed, it argues that electronics markets are becoming so internationalised that national economies all over the world will become increasingly penetrated by foreign-owned producers.

position in just one or two sectors," the report argues. The managerial structure of the main UK electronics companies needs to be changed to reflect the demands of tackling international markets. In Britain, the study says, businesses tend to be run through highly decentralised organisations, with small headquarters staffs exercising strong financial control. UK companies need to communicate much more effectively with the financial markets to develop support for longer-term strategies. The report argues that a great deal of the problem of "short-termism" in Britain comes from the portfolio organisational structure of UK companies, which concentrates attention on specific operations rather than strategy.

Meiko sells £1.2m supercomputer to Japan

By Terry Dodsworth, Industrial Editor

MEIKO, the fledgling UK supercomputer group set up by former executives of the Immos microprocessor company, has achieved a breakthrough in overseas markets with a \$2m (£1.2m) order from a large Japanese industrial group. The contract, with a company that wishes to remain secret, underscores mounting international interest in the UK group, which has finalised the agreement against intense competition from the large international computer manufacturers.

Meiko's strength lies in the price of its machines, which are claimed to deliver supercomputing power at a fraction of the cost of products made by conventional US and Japanese methods. The company estimates that one of its supercomputers, sold to the Rolls-Royce aero-engine group, cost less than a tenth of a conventional product. These price reductions have been achieved by the use of the Immos transistor, a computer-on-a-chip which can be linked together in an indefinite number of clusters to yield steadily increasing power. Meiko, an employee-owned concern, with sales running at about £10m a year, was set up in Bristol three years ago. Mr David Allen, one of the founders, said the company had sold 175 systems, ranging in price from \$20,000 to \$6.9m.

New magistrate for Alexander Howden case

A COURT hearing on allegations of fraud at Alexander Howden Group, the Lloyd's insurance brokers, resumes before a new magistrate in Guildhall, in the City, this week. The previous hearing was abandoned on Friday after nearly three weeks when Mrs Ann Mallison, the magistrate, said her husband was a member of Lloyd's. The case, under investigation for six years, involves allegations of fraud and theft against Mr Kenneth Grob, the former Alexander Howden chairman, Mr Ian Fosgate, the underwriter, and two executives Mr Jack Carpenter and Mr Colin Hart.

DKB ECONOMIC REPORT June 1988, Vol. 17, No. 6 Japanese Economy Expands in Full Swing. Includes graphs showing 'Healthy imports stabilizing commodity prices', 'Inflationary pressures persist in the U.S.', and 'The rise in producer prices (finished goods)'. Text discusses Japanese economic performance, US inflation, and commodity prices.

Talk it over with DKB The international bank that listens. DAI-ICHI KANGYO BANK. We have your interests at heart. The next DKB monthly report will appear July 26.

UK NEWS

Industrial survey shows top results outside the south

BY ALAN PIKE

NATIONAL PERCEPTIONS about the north-south divide are "somewhat out of step with reality" when judged on regional industrial performance, the Association of British Chambers of Commerce says today.

The Association defines performance in terms of companies reporting rises or falls in home and export orders, employment, investment and confidence. On this basis, manufacturing industry in East Anglia and the West Midlands produced the best overall results during the 12 months between the first quarters of 1987 and 1988. Scotland, Wales, the north-east of England and the East Midlands also scored well.

In the services sector, the south-west, Scotland, East Anglia and the north-east came out top in the Association's survey. When the results for manufacturing and services were combined, East Anglia and the West Midlands performed best, closely followed by Scotland, the north-east and the West Midlands.

The Association says that the slowdown affecting London's service industries that followed last October's stock market crash continued during the first quarter of 1988. Employment growth in services declined, with job losses continuing in the financial sector.

However, the overall picture to emerge from the survey is of a positive, booming economy. Returns for home orders, employment prospects and investment in manufacturing were the best since the chambers of commerce began compiling regional information in early 1985.

Strong improvements in manufacturing employment prospects were recorded for the north-east, up 94 per cent; East Midlands, up 17 per cent; and Merseyside, up 11 per cent. East Anglia, Merseyside, Scotland and Wales all showed strong signs of improved prospects for service sector employment.

The problem of skill shortages continued to worsen. It was greatest in the Thames Valley, where 91 per cent of manufacturing employers interviewed in the survey reported difficulty in obtaining skilled labour.

Chambers' Regional Business Survey, First Quarter 1988. ABC, Sovereign House, 212a Shaftesbury Avenue, London WC2H 8EW.

LONDON BUSINESS SCHOOL OUTLOOK

Inflation 'may temper tax cuts'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BUOYANT revenues may give the Treasury the scope to cut the basic rate of Income Tax to 20 per cent as early as next year, but rising inflation and a widening trade gap look certain to dictate a more cautious approach, the London Business School says today.

In its latest Economic Outlook the LBS says that strong growth in earnings and in consumer spending are likely to generate another overshoot in the government's revenues this year.

It predicts that the public sector's finances will show a surplus of £6bn in the current financial year and a surplus averaging £4bn in each of the next two years. In those circumstances, Mr Nigel Lawson, the Chancellor of the Exchequer, could slash the basic rate of tax from 25p to 20p in the pound in his Budget next March.

The Outlook, however, says that it is far more likely that a rapid deterioration in Britain's trade position this year and a further acceleration in inflation will force Mr Lawson to be much more cautious and to opt for a cut of only 1p.

The report projects the deficit on the current account of the balance of payments at £5.0bn in 1988, up from £1.7bn last year. It says the annual inflation rate could hit a peak of 5 per cent by the beginning of 1989 before edging back down to 4.4 per cent.

The publication today of official current account figures for May will be watched closely by financial markets, with any widening in the trade gap likely to intensify pressure for a further rise in interest rates.

An analysis of independent economic forecasts published by the Treasury at the end of last week suggests that the LBS is slightly more optimistic than most on trade prospects. The consensus among economists, for example, is that the current account deficit will be £5.6bn this year and £6.9bn in 1988.

The LBS expects output, which is being fuelled by both consumer spending and relatively strong investment, to rise by 3.4 per cent in 1988. The growth rate is then likely to slow to 2.4 per cent in 1989 before returning to a trend rate of about 3 per cent over the medium term.

Grudging support for currency policy

BY SIMON HOLBERTON

THE GOVERNMENT was right to let the pound's exchange rate rise above DM3 and deserves "grudging support" so long as its other policies are consistent with lower inflation and a general move to exchange rate stability, according to Mr Alan Budd, director of the London Business School's Centre for Economic Forecasting.

In a valedictory analysis of exchange rate policy, Mr Budd says it may have been an error to have held to the DM3 exchange rate for so long since it sent misleading signals about the Government's policy.

"The experiences of 1979-80 show that it is sensible for [anti-inflationary] strategy to include reasonable stability of the exchange rate, but that is certainly not the same as believing that the Government's objectives can now be fully met by moving to a fixed exchange rate."

The problem in the UK, Mr Budd says, is the need to restrain domestic demand. This could be "crowded out" through higher interest rates or a higher exchange rate. Sterling should take some of the strain, particularly if the alternative would be lower capital expenditure and a

lower sustainable growth rate."

In his analysis, Mr Budd compares recent experience with the problems the Labour Government faced in 1976-77.

The rise in the exchange rate in 1977 followed a period of rapid depreciation prompted by a lack of confidence in economic policy.

The rise in the exchange rate this year followed a similar depreciation in the pound, but one caused this time by the steep fall in oil prices in 1986.

The debate over exchange rate policy, Mr Budd says, has been mostly about methods: that is, how best to achieve the objec-

tives of lower inflation.

"Unlike the position in 1977, a policy which results in a stable exchange rate is not inconsistent with the objective of holding down or reducing the inflation rate. The problem, as has been evident this year, is how to respond to short-term pressures."

Ultimately, Mr Budd says, inflation will be the "judge and jury" of the Government's policies. However, as long as the "background" policies are consistent with lower inflation and a more general move to greater sterling stability, "we can provide our grudging support."

Busy parliamentary schedule raises doubts over bills

BY PETER RIDDELL, POLITICAL EDITOR

THE FATE of several promised bills is now uncertain as Whitehall departments fight for a limited number of places in the 1988-89 legislative programme, which will be dominated by further privatisation measures.

Draft legislation is certain to cover the sale of the electricity and water industries, but other measures, including bills on competition policy and company law reform, are still a matter of debate.

The pressure on the timetable arises partly because the current session of Parliament is likely to overrun by two or three weeks. The Queen's Speech, which sets out the Government's legislative programme, will probably therefore be put back until the end of November. With a number of days each session reserved for debates initiated by the Opposition and other set occasions, the delay cuts the amount of time available for Government bills.

Consequently, Mr John Wakeham, the Leader of the House of Commons, and government business managers are taking a tough line with departments on the cabinet committees which deal with the Queen's Speech and legislation.

The main measures certain to be included in the 1988-89 programme are the following:

- Electricity privatisation: restructuring of the industry into two generating companies, a separate national grid, twelve distributors and a new regulator ahead of sale. It is not yet clear whether the Scottish electricity industry will be covered in the same bill.
- Water privatisation: reorganisation of water authorities ahead of flotation and formation of a National Rivers Authority.
- Housing and planning: changes in housing capital grants and separation of housing revenue accounts for local councils, plus simplification of planning regulations.
- Official Secrets Act: implementation of a forthcoming policy White Paper to clarify the current law.
- Prevention of terrorism: updating of law after an official report.
- Representation of the People: extension of the franchise for

British citizens living overseas, plus minor tidying up.

- Child care: long-promised changes to the law after several official inquiries and recent controversy over child abuse in Cleveland, north east England.
- Experimentation on embryos and test tube babies: establishment of licensing authority and framework for embryo research.

Otherwise, apart from the Finance Bill and similar annual measures, there is still uncertainty about what will be included. However, because the Home Office already has three firm controversial measures, it has been decided that the promised Broadcasting Bill (covering radio and standards) will not come in 1988-89 but will be included in an omnibus broadcasting measure in 1989-90, also covering television.

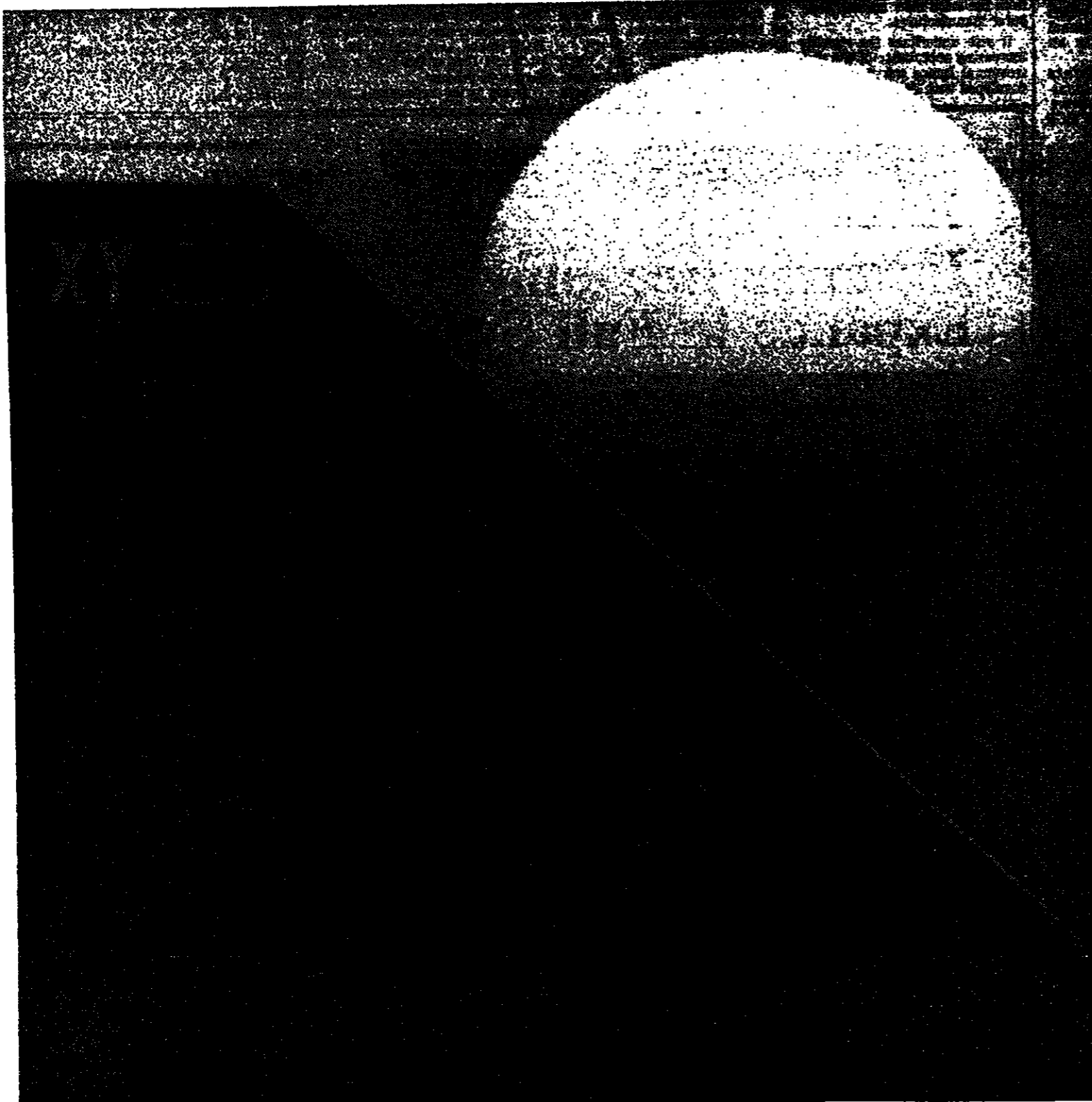
The other main candidates for inclusion in 1988-89, still undecided, are as follows:

- Competition: measures to change the rules for licensing mergers and takeovers, and to overhaul the law on restrictive practices (both following consultative papers).
- Companies Bill: amendments to tidy up anomalies in, for example, powers of investigation and in dealing with insider trading, as well as affecting requirements on small quoted companies.
- Road traffic: introduction of tougher penalties for drunken driving and other offences, plus licensing of operators for auto-guides (electronic route guides fitted to cars).

In other cases, it is uncertain whether legislation will be proposed because basic decisions have not yet been taken on, for example, the possible conversion of student grants into loans and the review of the National Health Service. In both cases bills could still be slotted into the programme.

There is pressure to avoid overloading not only from Mr Wakeham but also from his opposite number in the House of Lords, Lord Belstead, who is already facing complaints about the heavy workload facing peers this year. The Lords is expected to sit into August and return from the summer recess at least a week earlier than the House of Commons.

Six hours off the map to the land of the rising sun.



Lufthansa now flies twice a week nonstop from Frankfurt to Tokyo via the U.S.S.R. route in 11 1/2 instead of 17 1/2 hours.

 Lufthansa

Kinnock ready to hit back against critics

BY PHILIP BASSETT AND MICHAEL CASSELL

MR NEIL Kinnock, the Labour Party leader, will this week attempt to restore both his personal authority and his party's public standing, following a damaging row over defence policy and criticism of his leadership style.

The latest opinion poll suggests that Labour's problems have given the Conservative Party, led by Mrs Margaret Thatcher, a major electoral boost. Mr Kinnock and his deputy, Mr Roy Hattersley, meanwhile face an internal challenge in the Labour Party's current leadership elections.

Mr Kinnock's first major opportunity to regain the initiative will be on Wednesday when he addresses the National Union of Mineworkers' annual conference at Great Yarmouth.

An indication of the potential difficulties involved surfaced yesterday when Mr Arthur Scargill, the union's hard-left president, attacked Labour's current direction and openly supported Mr Tony Benn, Mr Kinnock's rival for the leadership.

Senior Labour party figures are acknowledging that the turbulence of the last three weeks, which started with controversial remarks by Mr Kinnock, apparently back-tracking on Labour's support for unilateral nuclear disarmament, has provided a bonus to the party's opponents.

Anger was also being expressed, however, at those MPs who launched anonymous attacks on Mr Kinnock over the weekend, suggesting he was becoming an electoral liability. A party spokesman criticised "the handful of unrepresentative and unimportant MPs who mutter darkly and disloyally."

The critical comments followed a Harris poll for yesterday's Observer newspaper, which showed the Government's lead over Labour has quadrupled in the last month.

The poll gives the Conservatives their biggest lead recorded this year, with 48 per cent support against 36 per cent for Labour, 9 per cent for the Social and Liberal Democrats and 3 per cent for the Social Democratic Party.

The picture will make particularly gloomy reading for Labour, given the approach of the Kensington by-election on July 14. The Conservatives are defending a majority of 4,447 in the west London constituency and last week Mr Hattersley claimed the party had a very good chance of remarks by Mr Kinnock, appar-

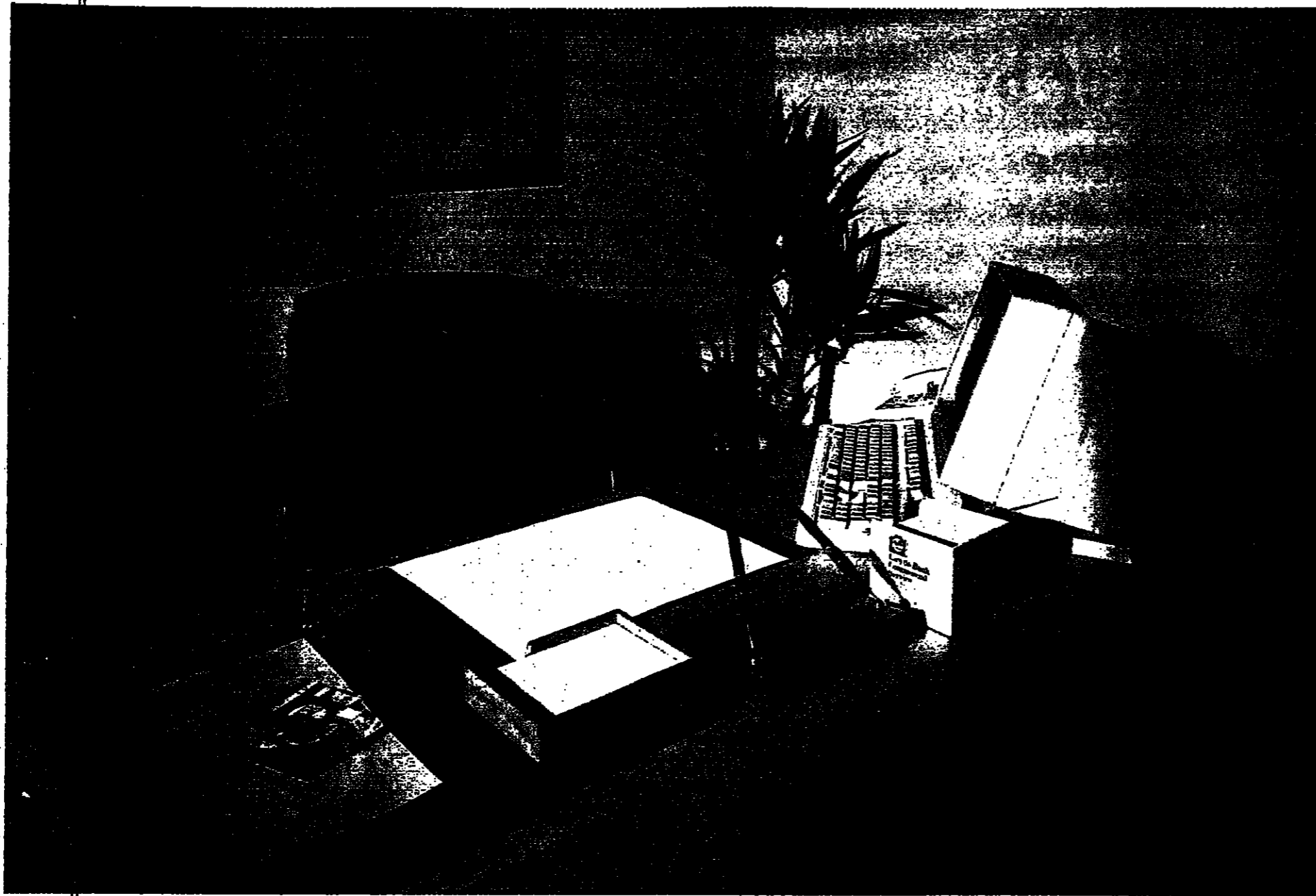
LA MONTRE DES MONTRES • MDM GENEVE • LA MONTRE DES MONTRES •

 In gold or steel or gold/steel combination. HUBLOT Water-resistant to a depth of 150 feet.

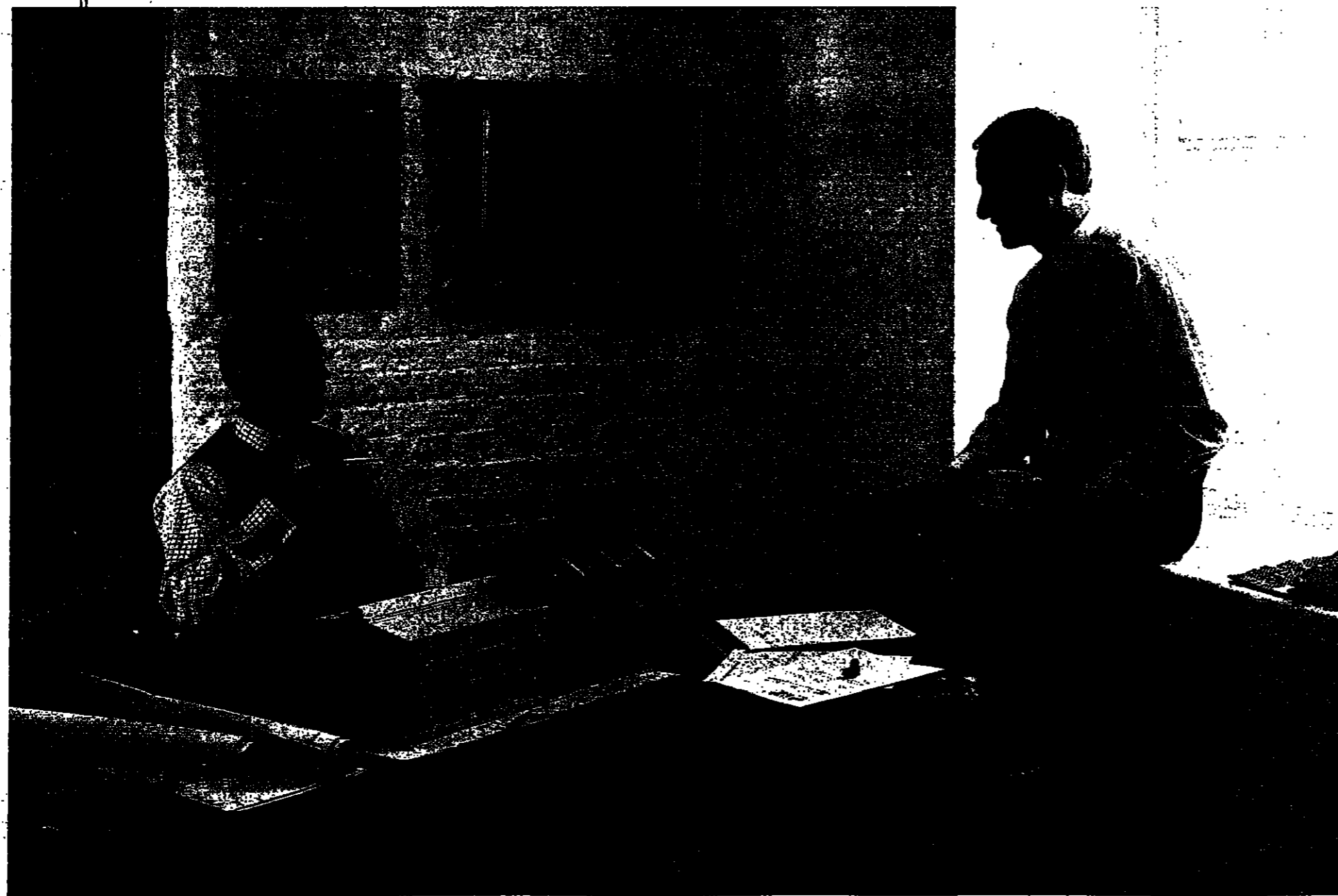
LA MONTRE DES MONTRES •



BARCELONA: Solor Cabot • BRUXELLES: Verhaeghe • DÜSSELDORF: Wipac • FIRENZE: Calosci, Coppini • FRANKFURT: Wipac • GENEVE: Chavannes, Remit de Goral, Clavenna, R. Zbinden • HAMBURG: Wipac • HONG KONG: Decker, Jansen • LONDON: General, Milnes Jewellers, Daniel Morris, The Watch Gallery, Watches of Switzerland • MADRID: Horroca • MILANO: Rossi, Gabbri, Nappa • MÜNCHEN: Wipac • NEW YORK: Fred, Wipac • PARIS: Fred, Wipac • ROMA: Balotti, Mariani • SINGAPORE: The Hour Glass • TOKYO: Jewel Gallery • VENEZIA: Schiavini • WIEN: Schellin • ZÜRICH: Bask, Gull, Mariani



“My bank manager
is never there
when I want him.”



“He's here.”

When you are running a business, you shouldn't have to spend time running to your bank.

At Lloyds Bank Commercial Service, we're only too pleased to come to your office.

Apart from saving you time, it allows us to learn about your business first-hand.

And the more we know about you, the more we can do to help.

That's what Lloyds Bank Commercial Service is all about, helping medium-sized businesses to grow and prosper.

And to that end, we have established a network of LBCS offices throughout the country.

Working on a local basis means that we can keep in regular touch with you and the markets in which you operate.

And because we concentrate exclusively on business customers we can devote all our efforts to helping you meet the many and varied challenges you face.

It may be that we can work together to strengthen your position in the market, say through a takeover.

Or perhaps devise a way to improve your cashflow forecasting.

But no matter how straightforward or complex the task, we'll act swiftly to make sure that no opportunity is missed.

With advice based on years of experience working with businesses similar to your own.

With on the spot decisions, crucial to keeping your plans on target.

And with all the contacts you'll need so that not a minute of your time is wasted.

We're well aware that in managing a business, time is never on your side.

Luckily for you, we are.

For more information call 0800 444122 anytime, free of charge.



Lloyds Bank
Commercial
Service

THE THOROUGHBRED BANK.

Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS.

MANAGEMENT

Management succession

A slow handover by Brazil's entrepreneurs

John Barham on a situation that is both a weakness and a strength

A CENTURY ago, two immigrants set up shop in the same southern Brazilian town. Within decades these two men, Francisco Matarazzo and Antonio Pereira Ignácio, had founded two of Brazil's greatest industrial dynasties.

The reason Brazil has become an industrial power is partly because of men like Matarazzo and Pereira Ignácio. The entrepreneurial tradition persists to this day. The country's largest bank, TV network, construction group, distillery, supermarket chain and car parts company, to mention a few, are still run by their ageing founders.

"The predominance of powerful family companies is as much a weakness as it is a strength," says Joao Bosco Lodi, a management consultant. "Their founders are men of great intuition and leadership who know their businesses inside out."

But as a rule, they do not encourage ambitious executives. This matters, because entrepreneurs own so many of Brazil's major companies. Managers in a family business know that their careers are limited by autocratic owners and their heirs. So talented but frustrated managers tend to move on, leaving a vacuum that is often filled by the less talented," says Lodi.

Neither do many Brazilian magnates groom their heirs. Paulo Passos, once a senior executive in a now-defunct family company, says: "Heirs suffer from a domineering father who demands more from them than they can possibly deliver and yet they forbid their children from competing with them."

Management consultants and the more enlightened owners of family companies have invested large quantities of money and energy in dealing with the twin problems of succession and administration in family businesses. Yet there is still a real concern at the prospect of a generation of great entrepreneurs dying or retiring in the coming years.

For all their efforts, though, the consultants seem to make little headway. Five years ago, a consultant was called in to advise Rede Globo, Brazil's biggest TV

network, on streamlining its management. He recommended that Roberto Marinho, 83, who founded and owns the company outright, should decentralise and regionalise production. But the network's operations are still concentrated in Rio de Janeiro and Marinho is still said to be firmly in control. Bom Bril, a Sao Paulo company which claims to be the world's biggest maker of steel wool, almost collapsed on its founder's death. It was only after Roberto Ferreira Sampaio, a former scrap merchant, died in 1981 that his son, Fernando, could take over as president and fire 300 managers.

Dispute Says Fernando: "There were a number of directors that were with the company for a long time and closely identified with my father. They had divided up the company and resisted change."

He says they ran up heavy debts, relied on a single product, failed to control costs and were not growth-oriented. Simultaneously, Bom Bril was riven by a bitter dispute between the three Ferreira Sampaio brothers for control of the company.

Now, after a thorough management overhaul and the establishment of peace between the brothers, the company is thriving once again. Sales increased 30 per cent in real terms last year to \$130m.

Roberto Maluf, who executed the management overhaul at Bom Bril, says one of his first recommendations was "to make the executives accountable. Before, they were not account-

able to anyone." Ferreira Sampaio says he has professionalised management, created a career structure, diversified product lines, increased productivity and controlled costs. Commenting on the frequent refusal of ageing Brazilian entrepreneurs to relinquish power, Joao Bosco Lodi notes that "control of a company bestows bargaining power and financial and political credit. Great wealth does not."

Roberto Teixeira da Costa, president of the Brasilar Investment company, points out that Brazil's capital markets are underdeveloped. This discourages private companies from going public and diluting their founders' power. Renato Bernhoft, another management consultant, says: "I have seen companies prefer the prospect of ruin rather than go public."

Yet even when a company does go public, it is not enough to foster a managerial culture. Under Brazilian law, a company can issue two preferred shares for every one ordinary share. This means that an entrepreneur can maintain control of the board with just 17.3 per cent of a company's capital. In many public companies, executives remain beholden to the founder or his heirs, not the shareholders.

There are exceptions. Amador Aguiar, 84, founded in the 1943 and still runs Banco Brasileiro de Descontos (Bradesco), Brazil's biggest bank. For years, he has been transferring his stock to a foundation and the bank's directors. After one false start, he has sought out and groomed a successor, Lazaro Brandao.

Most Bradesco directors have risen through the ranks before reaching the boardroom. Brandao entered the bank 42 years ago. All employees are inculcated in the bank's austere culture - so austere, that they are discouraged from drinking or smoking. Not even board members have their own office. They all work at the same long table.

Industrias Votorantim, the industrial conglomerate founded by Antonio Ignácio Pereira in 1918, is now Brazil's largest privately-owned group. Its success is due in large measure to the energy of Ignácio Pereira's heirs and the company's efficient executive corps. It has already begun preparing the fourth generation to take over the family business, currently run by the brothers Jose and Antonio Ermirio de Moraes - grandsons of the founder - who are in their 60s. They have put their sons and nephews in key positions in various subsidiaries. They hold monthly brainstorming sessions to develop new ideas and defuse premature sibling rivalry.

Disruptive All the same, many consultants expect the succession at Votorantim will not be smooth. No heir apparent has been selected and they expect the battle for leadership among the 14 family members in the company to be disruptive and long drawn out.

The historic trend among private companies in Brazil is not encouraging. They usually begin declining after the third generation. Teixeira Costa feels that as

the economy grows and becomes more sophisticated, the pioneering role of powerful entrepreneurs - a common phenomenon in developing countries - will decline. "Globalisation of the economy and Brazil's need to compete in a global economy will require huge amounts of capital," he says.

To survive, the entrepreneur must seek out foreign partners or take his company public. Ultimately, he must surrender total control. Jose Ermirio de Moraes of Votorantim, who will be 62 in November, is due to retire this year. He recognises that in the end full control must slip from the family's hands. He told Gazeta Mercantil, a local business paper, that the third generation is numerous "and the tendency in the future is to divide the shareholdings. Because of this, the company will have to go public."

However, Brazilian entrepreneurs are undeterred by the pressures faced by the large dynasties and, indeed, the decline of second and third-generation family companies is feeding a new generation of entrepreneur. Maria Pia Matarazzo is ardently rescuing from collapse the company founded by her grandfather Francisco Matarazzo by selling off some of its assets. The Vicunha group, a family-owned business which is now the largest textile group in South America, has grown fast by buying up declining family businesses and turning them around.

Yet the management problem never seems to go away. Consultants note that one of Brazil's largest and, until recently, fast-growing, electronics groups is notoriously badly-managed. Its founder, owner and president habitually hires highly-paid executives to reform the deeply indebted company, only to override their orders.

More enlightened of Brazil's industrialists (left to right): Amador Aguiar, Roberto Marinho, Maria Pia Matarazzo, and brothers Jose and Antonio Ermirio de Moraes

Education

Lessons for the teacher

Headmasters face a greater management role, reports David Thomas

WHEN JOHN Quinton, chairman of Barclays Bank, takes time out of his schedule to urge bankers to develop a greater interest in schools, something unusual must be happening.

Stirring in the undergrowth is a movement for co-operation between business and schools "more powerful than at any time since the Second World War," as Quinton told a conference of bankers and educationalists held at the Barbican last month. It was jointly organised by the Banking Information Service, representing the high street banks, and the Society of Education Officers, which pulls together educational administrators from the local authorities.

Quinton was not referring to the type of bankers' involvement in schools which many people are aware of, this Ministers are making £25m available next year to help education authorities buy computer-based management information systems and to train school administrative staff in budgeting, accounting and other management techniques. Extra money is also being ploughed into management training for heads and for governors, whose woeful lack of training was revealed in a report published by the Department of Education and Science only last week.

Much of this upsurge in training is likely to be met by private sector training agencies, providing them with what could turn out to be a considerable bonanza. But with the school system strapped for cash, many heads will probably look for support to their local business community, either through membership of governing bodies or more informal contacts. Hence the Barbican conference.

That this sentiment is becoming commonplace is mainly due to a key section of the Education Reform Bill, now completing its passage through Parliament. In future, responsibility for decisions in a host of areas, including finance and personnel, will be delegated from education authorities to schools. This reform, to be phased in by 1993, will apply to all secondary schools and to

primary schools with more than 200 pupils.

So head teachers will have to start viewing themselves as managing directors. Indeed, the parallel with business was explicitly invoked by Bob Dunn, Education Minister, in his speech to the conference: "Detailed financial and management decisions are best taken by the local managers on the spot - in other words the school governors and the head - rather than being referred in each case to 'head office' in the form of the local education authority."

This vision is open to the objection that most head teachers have little management training or experience, being used till now to handling only the small change of school budgets. Well aware of this, Ministers are making £25m available next year to help education authorities buy computer-based management information systems and to train school administrative staff in budgeting, accounting and other management techniques. Extra money is also being ploughed into management training for heads and for governors, whose woeful lack of training was revealed in a report published by the Department of Education and Science only last week.

What most heads at the conference seemed to want was assurance that a better class of people would become school governors now they are to have much more power, together with confidence that heads could turn to friendly businessmen for advice if necessary. This may be the less than glorious role for business in schools at the end of Education Secretary Kenneth Baker's managerial revolution.

What the conference revealed was a willingness by most participants to learn from the other side of the school-business divide coupled with an uncertainty as to what lessons there were for the learning.

Brian Stevens, manager of the Banking Information Service, suggested several routes for bankers to help schools, including advising education authorities on how to set up the new structures and taking head teachers into banks in the school holidays to learn about financial and other management techniques.

But few participants, least of all the bankers in the audience, picked up such ideas with enthusiasm. Partly this was due to puzzlement as to what was in it for the banks: among the suggestions were civic duty, a higher profile in the schools when recruiting staff and access to new business when, as seems inevitable, schools begin to run considerable bank accounts.

Partly too it was a question of wondering how easy it is to transfer management techniques. "Do you really think your bank has the capacity to teach a head to run a school?" asked a Gloucestershire head teacher who said that would be as silly as telling a head to run a local bank.

What most heads at the conference seemed to want was assurance that a better class of people would become school governors now they are to have much more power, together with confidence that heads could turn to friendly businessmen for advice if necessary. This may be the less than glorious role for business in schools at the end of Education Secretary Kenneth Baker's managerial revolution.

Management abstracts

Job efficiency and executive feedback. S. Wrench in *Industrial and Commercial Training (UK) Nov-Dec 87* (3 pages).

Within a few months of taking up his appointment as personnel director of Schering Health Care (pharmaceuticals), the author decided that existing staff appraisal schemes left (as in most organisations) much to be desired. This is an account of how management developed a new scheme which is known as

JEEF (as in the title) and is a case history showing the author's commitment to the idea of making staff appraisal an all-embracing management tool and thus much wider than personal assessment (and totally divorced from salary review).

Why won't directors rock the boat? A. Patton and J.C. Baker in *Harvard Business Review (US) Nov-Dec 87* (4 1/2 pages). Argues that far too many boards of directors are only window-dressing, are too big for effective debate, and many directors' ties to management and the CEO are so strong as to preclude challenge and dissent. Makes

suggestions for correcting this situation to encourage give-and-take between board and management: eliminating the practice of joint chairman-CEO, reducing board size, improving director selection by spreading the net wider, limiting the number of directorships an individual may hold, pruning those who don't contribute, and encouraging stock ownership through compensation policy.

These abstracts are condensed from the abstracting journals published by John Wiley & Sons. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p, cash with order) from John Wiley, PO Box 22, Winchester SO9 0DA.



Contracts & Tenders

Announcement from EREGLI IRON AND STEEL WORKS CO. (ERDEMIR)/TURKEY. 1- Approximately 4500 metric tons of high carbon ferromanganese and 400 metric tons of low carbon ferromanganese to be imported for our works 1988 requirement. 2- Tender documents for these inquiries may be obtained as of 30th June 1988 from our following offices: a) Eregli Demir ve Celik Fabrikalari T.A.S. Satinalma Genel Mudur Yardimciligi Dis Alimlar Mudurlugu (Foreign Purchases) Uzunkum Cad. Kdz.Eregli/TURKEY b) Eregli Demir ve Celik Fabrikalari T.A.S. Satinalma Genel Mudur Yardimciligi Satinalma Mudurlugu Gumussuyu Cad.Dersan Han.Kat.4 Istanbul/TURKEY c) Eregli Demir ve Celik Fabrikalari T.A.S. Satinalma Genel Mudur Yardimciligi Dis Alim Siparis Takip Seftigi Ataturk Bulvarı, Selcan Han No.127/5 Ankara/TURKEY 3- The offers in sealed envelopes should be submitted to Eregli Demir ve Celik Fabrikalari T.A.S. Satinalma Genel Mudur Yardimciligi, Uzunkum Cad. Kdz.Eregli/TURKEY at the latest by 12.00 hours Turkish local time on 1st August 1988. 4- Our company reserves the right to place the order (s) either partially or completely with any bidder to cancel the tender (s) completely. The receipt of quotations shall in no way be binding upon our company.

Company Notices

Energy International N.V. (Incorporated with Limited Liability in the Netherlands Antilles). Shareholders in the Fund are convened to attend the Annual General Meeting of shareholders to be held on Monday 18th July, 1988 at 10.00 a.m. at the registered office of the Fund at P.O. Box 15, Willemstad, Curacao, Netherlands Antilles. The items on the agenda are: (1) Approval of Report and Accounts and proposal of a dividend of US\$2.00 per share for the financial year ended 31st March, 1988. (2) Amendment of the Articles of Incorporation to reduce the authorised share capital from US\$5,000,000 to US\$2,000,000. (3) Election of the Members of the Board of Management. In order to attend the Meeting in person or by proxy and to have their names entered at the Meeting, holders of bearer shares must deposit their share certificates for a deposit receipt for the shares (certificates) mentioning their names, addresses and telephone numbers at the secretariat office of the Fund not later than 11th July, 1988. Curacao 27th June, 1988. By order of the Board of Management.

PAN HOLDING SA LUXEMBOURG. Notice is hereby given that Pan Holding S.A. has declared a dividend of US\$ 7.00 per share of \$100 for the year 1987 payable as from 1 July 1988. The dividend will be payable against coupon no. 58 from bearer shares of Pan Holding S.A. which may be presented at the Global Securities Department, Securities Processing Division, Suffolk House, 9 Lansdowne Parkway Hill, London EC4R 0EL, for payment at the rate of exchange current on the date of payment. Income tax of 25% will be deducted, unless the coupons are accompanied by an Inland Revenue Affidavit.

PROPERTY TO RENT

Furnished lettings Company and Embassy Lets Long and Short Term All appear in the FT every Saturday. Further details from Clive Booth, TELEPHONE 01-248 5284 FAX 01-248 4601

Rentals

F.W. GAPP. We always require quality properties in central London for waiting applicants. Management service also available. The Property Managers 01-221 8838. KENWOODS RENTAL. QUALITY FURNISHED FLATS AND HOUSES. Short and Long Lets. 23 Spring St., London W2 1JA. Tel: 01-402 2271 Telex: 25271. Fax: (01) 262 3750. RIVERSIDE RESIDENTIAL. Large selection of new flats and houses from £110.00 per week throughout the Docklands area. Long and short let. No fees to tenants. 01-790 1989. RENT YOUR HOME. Help to rich Americans. We have too many respectable tenants and not enough quality homes. In Kensington, Chelsea, Holland Park and Surrey. Don't miss this opportunity. Call First let at SAUNDERS of KENSINGTON. 01 981 3623. TO RENT PARIS - FRANCE. Penthouse - Top Floor short or long period 130 sq.m. + 130 sq.m. Terrace. Price FF48,000 per month. Phone: 01 27 97 84 / 42 46 18 85.

Art Galleries

NEW ACADEMY/SHAW ANY GALLERY, 34 Wendell St., W1. Recent paintings by Derek Blyth. Gallery open 10-6 weekdays, 11-6 sat. Show continues until July 4th. WHISTLER SOCIETY & THE CAMDEN TOWN GROUP. Exhibition June 27th - July 9th at Jonathan Clark Ltd, 18 Park Walk, London SW10. Tel 01-351-3555. Mon - Sat 10 - 7.

A CENTENARY EVENT FOR READERS OF THE FINANCIAL TIMES

The Queen Elizabeth II Conference Centre London 7, 8 & 9 July, 1988

An exciting programme of informative and entertaining events has been planned for the Financial Times Centenary Exhibition. Special, low-priced conferences and workshops will take place, over three days, providing opportunities to discuss developments in the personal financial services industry, including investment planning, capital protection, taxation and personal pensions. The panel of speakers includes major City figures and well-known contributors to the Financial Times. Associated events will cover music, art, antiques, wine, and 'how to spend it'. Areas such as health care and insurance, private education and property will also be included in the Exhibition. Please return the attached form for further details of this significant event.

Financial Times Conference Organisation 126 Jermyn Street, London SW1Y 4UJ Tel: 01-925 2323 Tlx: 27347 FCONFG F: 01-925 2123 Name: Address: Tel No: CENTENARY EXHIBITION & CONFERENCES PERSONAL INVESTMENT



ANTHONY HARRIS in Washington

AS IS USUAL in an election year, normal politics are being suspended...

remains firmly in the hands of the prosecutor and the Grand Jury...

This will influence the election, because it underlines the idea that this is a very negligent Administration...

Meanwhile, Congress is working through the spending bills which will almost certainly lead to another Gramm-Rudman deficit crisis...

of laying down markers for the next session, and essentially for next year. Some of them are suggestive...

Until recently this would have provoked a good deal of chest-beating about the superiority of the American Way...

is now appearing in the management journals, and is a kind of sub-test to the patent hearings...

This new strain of thinking is a bit of an embarrassment to the Democrats. They would love to exploit the popular loathing of Wall Street...

only half a degree Fahrenheit higher than the average of the last 50 years, the records show that that plateau was preceded by 50 years of rising temperatures...

This idea was given new authority last week by Dr James Hansen, of the National Aeronautics and Space Administration (Nasa)...

forgotten ideas back into debate: a national campaign for energy efficiency, which could cut carbon dioxide emissions...

They would lead logically to pressure for international standards, not to mention an international drive for forest conservation...

Two man-made disasters

than the heartlands. The savings and loan catastrophe is getting steadily worse - and the word is not too strong...

It was caused first by rising interest rates, since fixed-rate mortgages are still an American tradition...

The result at the moment is to paralyse both the politicians and the Federal Reserve. The politicians are afraid they will discover that their best friends and financial supporters are criminally involved...

INTERVIEW

A hard heart on his sleeve

A.H. Hermann meets Alexander Sukharev, the Soviet Union's Attorney General

MR ALEXANDER SUKHAREV, 60, a stocky man with a youthful but deeply-lined face, and since last month Attorney General of the Soviet Union...

I heard him twice addressing the Moscow seminar arranged

'We are now trying to get back to the humanism of Lenin'

jointly by the International Bar Association and the Association of Soviet Lawyers, a body dominated by academics and intended to be an international mouthpiece rather than a genuine professional organisation...

and informal chat, for which he chose the Moscow House of Friendship, one of the few surviving pre-revolutionary buildings of elegance...

Mr Sukharev arrived somewhat late, but apologised gracefully and to my great relief encouraged me to take off my jacket and loosen my tie...



worries. Like many Soviet party bosses, Mr Sukharev has an old mother who will pray and kiss the icons. It is refreshingly true that a man of his standing can now be quite open about it...

to rise in the world, Mr Sukharev chose the double ladder of party organisation and law. In the party he rose through the Komzonal - the youth branch of the party - from local to regional importance...

Stalin - we are now trying to get back to Lenin's humanism. When did he realise that there was a need to overcome Stalinism...

Ten years ago, 1978, was ten years after the Czechoslovak attempt to give communism a human face was crushed by Brezhnev's army. I asked whether the return to Lenin's humanism was not very much the same as what the Czechs and Slovaks wanted in 1968...

Returning to the role of a moral code - communist or religious - I suggested that the system in which people live and work may often provide stronger motives for their behaviour than their conscience...

Mr Sukharev let pass with a patient smile my remark that the Soviet people want the new Western cities may be rather a medical than an economic or human rights problem...

'We will not respond in the way Stalin did - there will be no repression'

the arbitrary power of bureaucrats. I reminded Mr Sukharev of the Marx-Leninist thesis that the wounded cow kicks back and that a defeated class resorts to sabotage and subversion...

Kremlin. It is something which the Soviet people want. The new measures we are taking against those who suppress criticism - enables the voice of the people to have a political effect...

'Our new election law will allow the pluralist character of society to come into play. Our reconstruction programme is not exclusively economic...

This, I suggested, may be a task manageable by him in the centre, but can his influence reach public prosecutors far away from Moscow...

This, of course, was pure theory. As long as one can remember, the regional and local Soviet prosecutors were at least as much mindful of the local party secretary and of the local chief of the secret service...

So perestroika has some chance of surviving, I thought while shaking hands to wish goodbye. After all, Lenin was not exactly a 'wet' either.

Speeding up public inquiry

Large fees earned by top lawyers serve only to heighten the public's unease.

An inquiry is not a trial, with its predetermined rules of evidence or of established procedures. An inquiry can fashion its own mode of procedure, tailored to the particular subject matter...

Most inquiries recognise that professional and other persons may have their reputations, not to say their jobs, at risk. Even if there is no question of later criminal proceedings or disciplinary action against those who may have been found at fault...

about the proper scope of the inquiry.

Critics among the public blame lawyers for bringing to an essentially inquisitorial process the familiar adversarial system of the ordinary courts of law. This is also a fair point to make...

The inquisitorial approach requires the tribunal to define the issues and to call such witnesses as it thinks appropriate to elicit the truth. The tribunal is a direct participant in the fact-finding process.

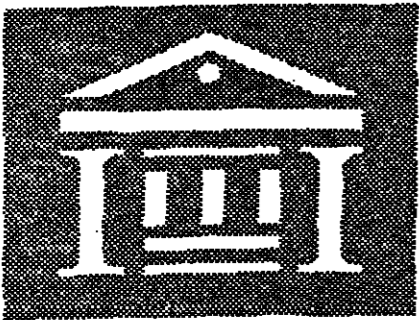
Given that there is a greater insistence on public accountability on the part of those exercising public functions, it is hardly surprising that those being called to account wish to exercise to the full their right to defend themselves publicly and comprehensively.

infringement of the right.

The tablets of stone in inquiry matters have been inscribed in the report of the Royal Commission on Tribunals of Inquiry, a report of 1966 under the chairmanship of Lord Justice (later Lord) Salmon to consider the workings of the Tribunals of Inquiry (Evidence) Act 1921.

The Act has been described as "a powerful locomotive running without rails", a reference both to the absence of procedural safeguards for persons liable to criticism and to the investigative powers the Act possesses.

The Salmon Report of 1966 recommended a series of procedural safeguards that have largely been adopted by inquiring bodies set up other than under the 1921 Act. The Government in 1973 expressed its agreement with many of the Salmon proposals but no legislation has been forthcoming largely because the 1921 Act has become obsolete.



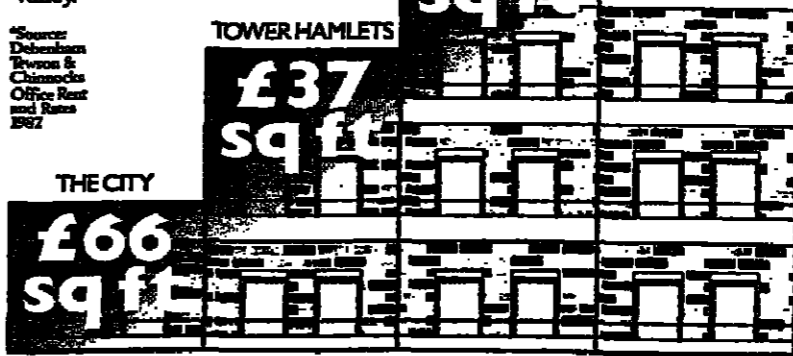
JUSTINIAN

ANYONE WHO is appointed to conduct a public inquiry instinctively resolves to carry out the inquiry without fuss and report with a minimum of delay. Almost invariably however, the inquiry is protracted and the exercise costly to the public authority ordering the inquiry.

Whether it is the Fennell Inquiry into the King's Cross fire disaster (which ended its 91 days' hearings last week) or the Butler-Sloss Inquiry into the Cleveland child sex abuse cases (which set for 74 days and whose report will appear next week), almost every public inquiry of recent years has involved politicians delay in decision-making by politicians and administrators and in much-needed legislation, as well as a heavy demand on limited financial resources.

HEAD FOR HAMPSHIRE - A STEP IN THE RIGHT DIRECTION

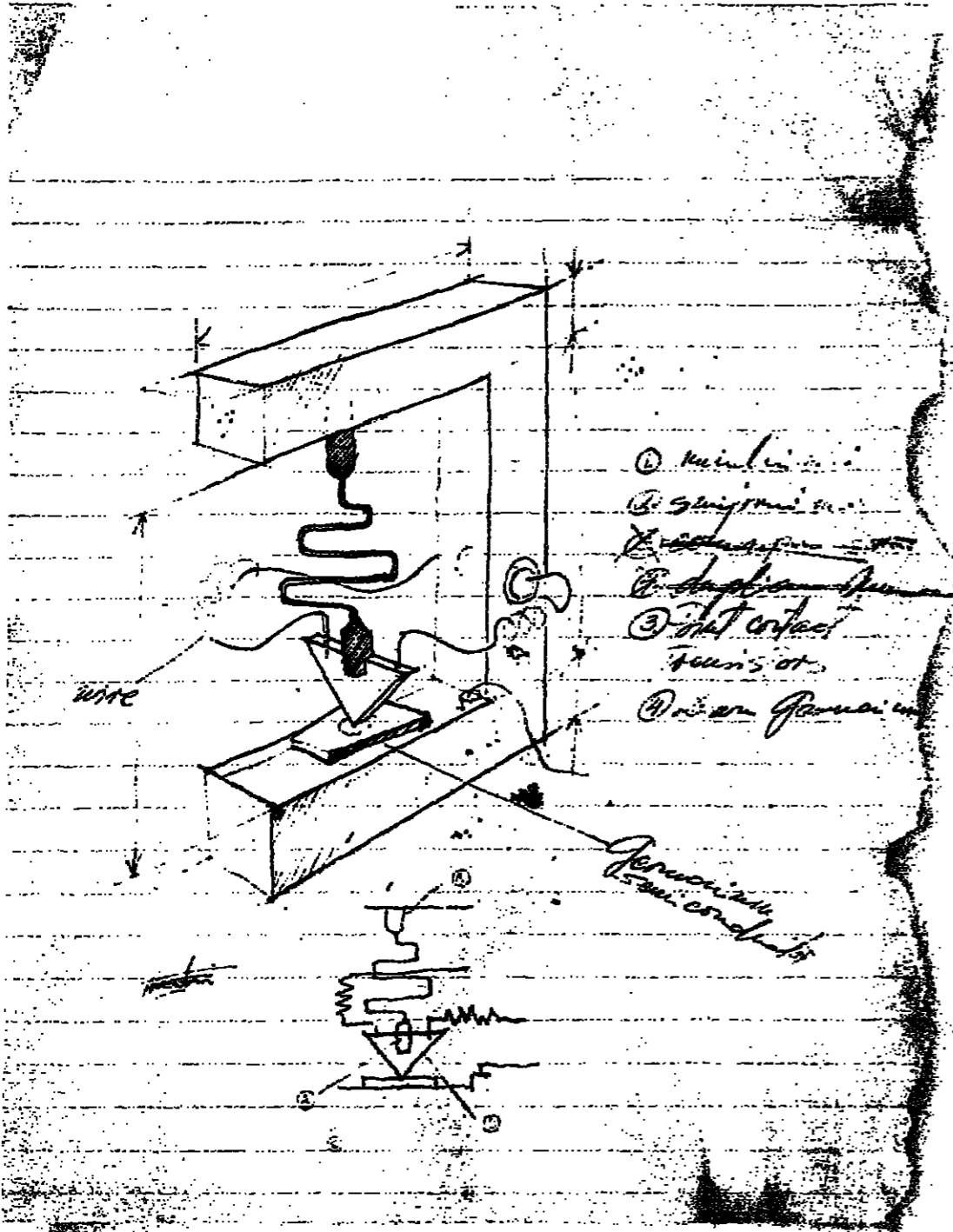
'More office for your money' - when you step up to a new administrative centre in South Hampshire. Ask the Hampshire Development Association for a copy of the independent study by Coopers & Lybrand Associates on South Hampshire which reports that 'property costs in South Hampshire are considerably lower than those current in central London or the Thames Valley.'



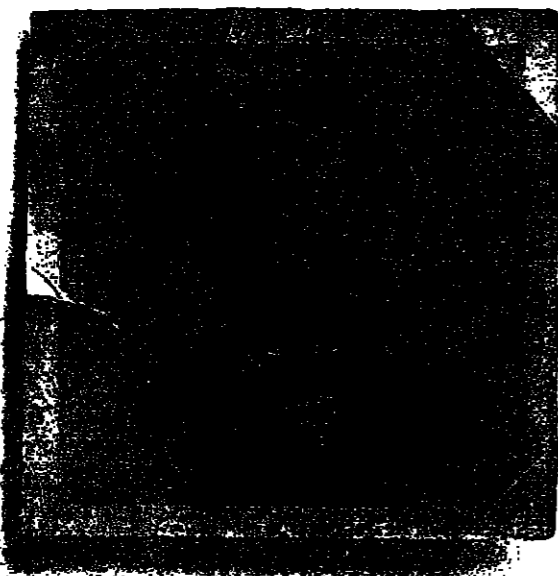
Please send me a copy of the Coopers & Lybrand report. Post this coupon to: The Hampshire Development Association, 13 Clifton Road, Winchester, Hampshire SO22 5BS or call Winchester (0962) 56060.

Name _____ Position _____ Company _____ Address _____ Postcode _____ Telephone _____

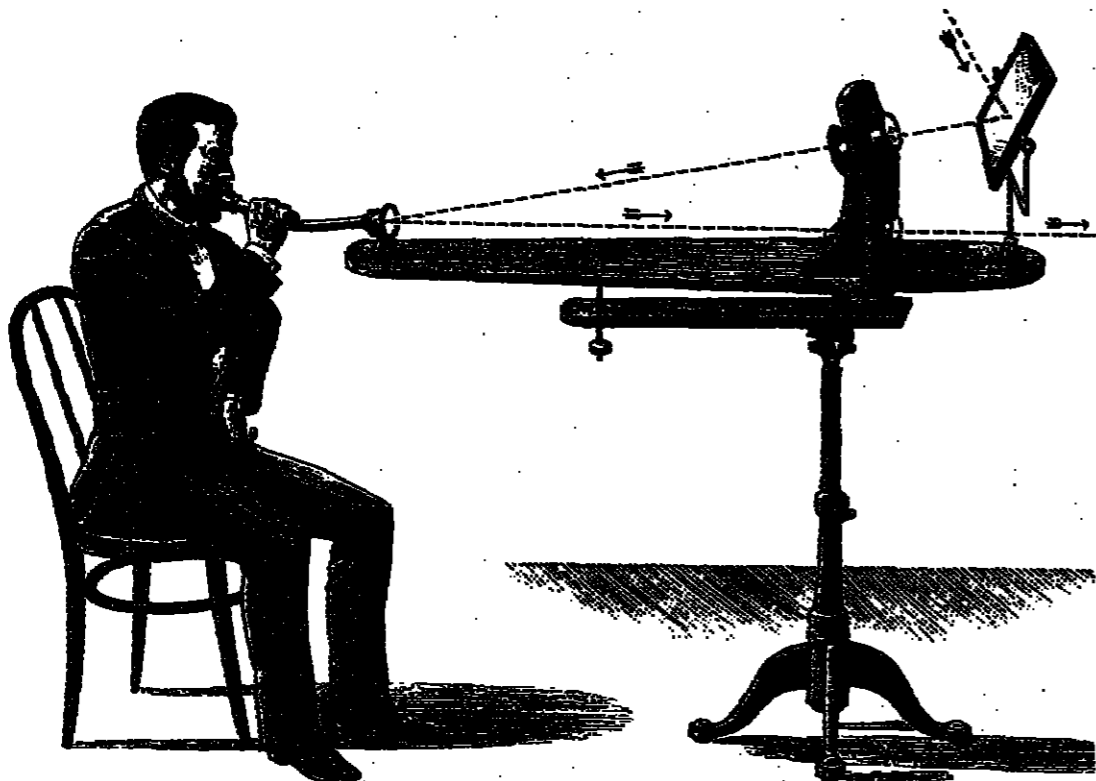
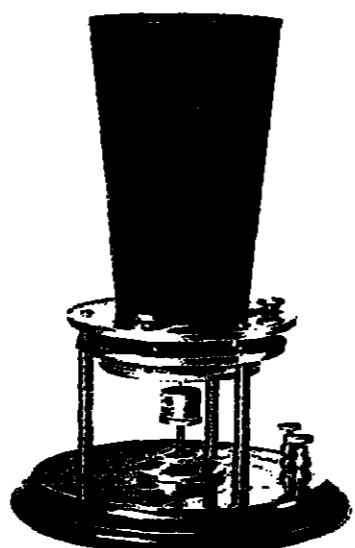




THE DISCOVERY OF THE TRANSISTOR EFFECT AT AT&T BELL LABORATORIES IN 1947 CHANGED THE COURSE OF HISTORY. SUDDENLY MINIATURISATION WAS POSSIBLE AND THE AGE OF ELECTRONICS HAD BEGUN. IN THIS FIRST TRANSISTOR THE CONTACTS WERE MADE OF GOLD AND THE SEMICONDUCTOR WAS GERMANIUM.



MARCH 10TH, 1876. ALEXANDER GRAHAM BELL UTTERS THE FIRST ARTICULATE SENTENCE EVER TRANSMITTED OVER HIS NEW INVENTION, THE LIQUID PHONE. "MR. WATSON, COME HERE. I WANT YOU" AND THUS THE FIRST AT&T PATENT IS EARNED.



THE PRECURSOR OF FIBRE OPTICS FIRST SAW THE LIGHT IN 1880 WHEN ALEXANDER GRAHAM BELL WROTE OF HIS EXPERIMENTS WITH THE "PHOTOPHONE": "I HAVE HEARD A RAY OF THE SUN LAUGH, COUGH AND SING."



SCIENTISTS AT AT&T BELL LABORATORIES INVENTED THE FIRST ELECTRICAL DIGITAL COMPUTER IN 1959. ALMOST 50 YEARS LATER, THE 6386 MICROCOMPUTER IS ABLE TO SUPPORT AS MANY AS 32 USERS SIMULTANEOUSLY. A CONTEMPORARY COMPUTER INDUSTRY BREAKTHROUGH.

"Mr. Watson, come here," were the words that announced the invention of the telephone way back in 1876.

Unknowingly, they were also the words that announced the birth of an organisation that would ultimately be known as AT&T.

A few years and thousands of telephone poles later, the people of Los Angeles were able to talk directly to the people of Boston. The nascent AT&T was on the move.

In April 1927, a handful of New Yorkers glimpsed the future. AT&T Bell Laboratories, now the inheritors of Alexander Graham Bell's inventor's mantle, had developed a way to carry the first television image over telephone lines.

Then, a few years later, in 1939, the world's first electrical digital computer emerged from the same laboratory.

1947 saw a major breakthrough with three of our scientists inventing the transistor.

At the same time of course, they had no idea that this was the beginning of the microelectronics revolution. Each was later awarded the Nobel Prize.

In 1956, AT&T and its partners laid the first transatlantic telephone cable, and the world suddenly seemed a lot smaller.

The world's first satellite TV transmission was made possible in 1962 thanks to AT&T's Telstar satellite. And one of the first stations to receive Telstar's messages was built at Goonhilly that same year.

The UNIX® operating system was

developed by AT&T in 1969 and has subsequently become an international computer operating standard.

The story continues in a similar vein until today. In fact, AT&T have earned a patent every working day for more than 60 years, most of which have contributed to improving the world's communication.

Communication is the heart of AT&T's business. And technology is our lifeblood. We see our job as connecting people to people, machines to machines, systems to systems, unhindered by geographic and technical barriers.

Today, AT&T has co-operative ventures with over 100 nations. We've been working with British Telecom, and its predecessors, for over 60 years.

Right now, the new transatlantic fibre optics cable is nearing completion, a result of an even stronger partnership between AT&T and the UK.

We're providing jobs at our switch development and transmission manufacturing plant in Malmesbury and our microelectronics design centre at Bracknell.

We intend to invest more in Britain, to serve our customers better.

If you'd like to know more about AT&T in Britain, please write to AT&T, Information Office, Norfolk House, 31 St. James's Square, London SW1 4JR.



We invented the phone back in 1876, and we've been ringing the patent office ever since.

FINANCIAL TIMES SURVEY



Is President Mubarak moving fast enough to tackle Egypt's difficulties? Is he still his ultra-cautious self?

The economic crisis is not as acute as in 1986, but more decisive action is needed, says **Andrew Gowers**, Middle East Editor, to solve the country's problems

The limits of gradualism

NEARLY 10 years after signing the historic Camp David accords with Israel and the US, Egypt is in a mood of uncertainty and introspection.

Gone is the overwhelming preoccupation with foreign affairs that characterised the Sadat years. At home, a steady increase in political freedoms under President Hosni Mubarak has been accompanied by what many commentators identify as a sense of drift and alienation.

Everything is overshadowed by the deep-seated crisis in Egypt's economy, and in particular by Mr Mubarak's balancing-act between demands from western creditor nations for reform and his own fears that conceding to them may cause a serious social and political upheaval.

Although the economic situation is clearly not as acute as it was in 1986, the big question echoing around Cairo is: will the gradualism inherent in the government's approach - both on the political and economic fronts - be sufficient in the long term to pull Egypt through? The answer, notwithstanding the country's legendary resilience, is not encouraging.

In a number of senses, Mr Mubarak, fresh from re-election to a second six-year presidential term last October, is to be congratulated for having got this far.

In foreign policy, he has quietly manoeuvred Egypt back into the Arab fold - with the resumption of diplomatic relations with Cairo sanctioned by last November's Amman summit - while making no concessions on his "cold peace" with Israel. In the face of recurrent tensions with Washington, he has succeeded in maintaining Egypt's key alliance with the US, which yields more than \$2bn a year in economic and military assistance, while moving to patch up ties with the Soviet Union.

In domestic politics, his touch has become surer as his international confidence has grown. Although the President has found it convenient periodically to renew Egypt's long-standing state of emergency and the country is far from resembling a Third World democracy, official tolerance of dissent has undoubtedly increased. The press, though still routinely interfered with, is freer; the mainstream opposition is less harassed.



The country is "on the road to serious reform": a Cairo street scene

EGYPT

The general elections of April 1987, preceded by an unusual show of respect for legal procedure and probably marked by less rigging than hitherto, increased the role of the opposition, and in particular of the Muslim Brotherhood, which though still nominally banned now commands 36 parliamentary seats in alliance with the Labour and Liberal parties.

Even on the economy, some progress has been made since the shock year of 1986, when Egypt found all its sources of hard currency - oil, tourism, workers' remittances and exports - in decline at once.

The signature of a letter of intent with the International Monetary Fund in February 1987 and approval of a \$325m standby arrangement the following May gave the government a little breathing space. It was able to reschedule some of its debts through the Paris Club. It moved to simplify its highly complex and bureaucratic exchange rate system. It has also sought to contain its massive subsidy bill by raising the prices of such items as petrol and electricity, though not nearly by as much as the

creditor community would like. Although the IMF agreement has since collapsed, these steps lead some sympathetic observers to conclude that Mr Mubarak, in his pragmatic way, has embarked on a serious effort to change Egypt's ways by building a genuine political consensus behind economic reform.

"After a long period of confusion, ambiguity and attempts to evade the situation, Egypt is on the road to serious reform," says Prof Ali Desouki of Cairo University.

"Mubarak is creating a different kind of Egyptian presidency," agrees a senior western diplomat. "He has given the assembly a more legitimate mandate to endorse his position. And since the need for an IMF agreement became accepted as essential, he has been working to create a consensus on the IMF reforms."

Yet there are also plenty of more sceptical voices - both foreign and Egyptian - arguing that President Mubarak has done no more than make a cautious start in defining Egypt's real problems.

Egyptian pundits complain that the consensus-building style is actually an excuse for indec-

sion, and that Mr Mubarak - though his position is unchallenged and his personal integrity is not in question - more often finds himself arbitrating between feuding factions and vested interests than giving a firm lead. The government's hesitant handling of the growth of unregulated Islamic investment companies is seen as a typical example. The President has also been criticised for not moving decisively enough to combat corruption, which remains rife in the upper echelons of the bureaucracy.

"The President has gained confidence in his second term, but he's still his old ultra-cautious self," said one Egyptian elder statesman. Or as Anthony McDermott puts it in a recent book* on contemporary Egypt: "Mubarak runs the risk of being unable to provide either firm leadership or fully participatory democracy."

The government and the ruling National Democratic Party - itself more a vehicle for the existing elite rather than a genuine grassroots organisation - seem as remote as ever from the people. The authorised opposition, though vociferous and frequently

troublesome, is scarcely any closer in touch, and popular apathy was illustrated by the low turnout in last year's elections.

With the left in self-confessed disarray, most experts believe the only real opposition is provided by the Islamic trend, which - although deeply divided between the mainstream Muslim Brotherhood and extremist fringe groups - has become a potent force with its own social and economic infrastructure. At present, however, this would appear to be more of a protest movement - and one that some observers believe has peaked, albeit at a high level - than a genuine political alternative.

"In Egypt today, there is a hiatus and people are looking for a new political structure," said Mr Tahsin Bashir, a long-serving Egyptian diplomat. "Nobody believes that the government or politicians of the left and right can solve the problems. It's not a big challenge now, but it is causing a secular erosion of credibility over time."

Mr Ismail Sabry Abdullah, a leading leftist politician, says Islam is continuing to fill the vacuum left by the lack of motivat-

ing ideas elsewhere in Egyptian politics.

Nevertheless, despite sporadic terrorist acts carried out in the name of extremist Islamic groups, Egyptian society still seems remarkably stable. But the country's economic predicament provides a fertile breeding-ground for discontent - and is likely to continue doing so for the foreseeable future.

Unemployment - officially 2m but certainly much higher - is on the rise. Inflation rates at between 25 and 30 per cent. Life for ordinary Egyptians, increasing in number at the alarming rate of 1m every eight months, is becoming harder all the time.

The minority of educated Egyptians is aware that the government is in no position to provide relief. With oil prices weak, Egyptian workers returning from the Gulf and foreign aid unlikely to increase substantially, Egypt is not about to be rescued by some *deus ex machina* as it was in the 1970s. The only rays of hope this year lie in a sharp increase in exports and in tourism.

Despite the Paris Club rescheduling, the country is still burdened with a total foreign debt of

CONTENTS

- The economy: under pressure
- Privatisation: switch to amber
- Defence: catching up is hard
- Tourism: a brighter outlook 2
- Banking: credit standing slips
- Islamic funds: liquidation threat 3
- Population: more mouths to feed
- Oil revenues: Power shortage 4

KEY FACTS

Population	51.2m
GDP	E24.6bn
per capita	E485
Trade balance	-\$5.25bn
Exports	\$2,741m
Imports	-\$8,000m
Services balance	-\$3,000m
Current account balance	-\$1,300m
Total external debt	\$44.3bn
US aid (1987)	\$2,250m
Average consumer price increase	25 per cent

up to \$50bn. Its balance of payments is under severe pressure, with the inflow of foreign funds reduced to a trickle. Industry, both private and public sector, is suffering from a lack of new investment and from shortages of raw materials, and remains hampered by restrictive labour laws and price controls.

The government is struggling to contain its budget deficit, without obvious success: its failure to meet a deficit target of 13 per cent of gross domestic product in the fiscal year just coming to an end has already sent Egyptian and IMF negotiators scurrying back to the drawing board. Spiralling wages in Egypt's bloated bureaucracy and the obstinately large subsidy bill for food and energy stand in their way. Meanwhile, services such as health and education are deteriorating steadily.

In other words, as Egyptian academic Mourad Wahba points out in a recent Chatham House essay collection, the old Nasserist social compact between government and people - under which, for example, the authorities theoretically guarantee civil service jobs to all graduates - is well and truly defunct. The difficulty for the politicians lies in admitting this to the people in so many words, and in finding something plausible to put in its place.

For all the lip-service currently paid to encouraging the private sector, it is widely recognised that the "open door" (*infithal*) policy initiated by President Sadat in the 1970s has failed to yield much genuinely productive investment. Some 70 per cent of gross domestic product remains in the hands of the public sector.

On the other hand, the ever-present fear - regularly rehearsed in front of western aid

Continued on Page 4

الشريف

AL SHARIF COMPANIES AND FACTORIES

30 YEARS OF ACHIEVEMENT
1958 - 1988

Since their establishment in 1958, Al Sharif factories have continually shown the most modern production along with a very high standard of quality. Today, it is a very distinctive trademark of Egypt's present and future industry.

The Al Sharif Group of Companies and Factories is heading now for the future and has started establishing very large projects to serve Egypt's national economy, such as Al Sharif Industrial Complex, established over an area of 2 million sq.m. in the 10th Ramadan City, grouping over 30 factories and employing some 30,000 people

Moreover, being convinced that it should continue to produce goods according to the highest technological standard, and using Egyptian expertise, it has created the first private sector Scientific Centre, which main tasks are research, modernisation and quality control.

AL SHARIF BUILDING, EL HEGAZ STREET, HELIOPOLIS, CAIRO, EGYPT.
TELEX: 22993 - 93674 SHRIF UN
22491 SHRFA UN

TEL: 2592431-435
586137-141
FAX: (202) 2599351

Egyptian or International?

With 13 branches in Egypt, Egyptian American Bank is the leading joint - venture bank in Egypt. Our branch network plus our expertise in this market make us very much a bank that is in - tune with the local business environment. But on the other hand, being a joint - venture between American Express Bank and Bank of Alexandria, puts us in a doubly unique position of having the international banking experience required to run a truly world - class bank in Egypt and to provide you with the advice and quality of service that you would require from an international bank.

When business opportunities bring you to Egypt, take the opportunity and speak to the bank that knows Egypt's business like no other. Egyptian American Bank.

البنك المصري الأمريكي

EGYPTIAN - AMERICAN

BANK

A JOINT VENTURE BETWEEN AMERICAN EXPRESS BANK & BANK OF ALEXANDRIA.

CAIRO: HEAD OFFICE AND MAIN BRANCH: 4 Hassan Sabri St. Zamalek Tel: 3416150/3416157/3416158 Tlx: 92663 EGAMBK UN 94226 EGAMBK UN P.O. Box: 1825 BAGHDAD BRANCH: 12 Baghdad St. Heliopolis Tel: 669160/66521/66551/669163/185 Tlx: 20596 EGAMBK UN (SARAJEVO CITY BRANCH): 23 General El Din Abdul Massasen Tlx: 254530/25431/202552084 Tlx: 92342 EGAMBK UN QUILZA BRANCH: Cairo-Alexandria Road, Giza Tel: 852414/825589 Tlx: 21229 EGAMBK UN KASR EL NIL BRANCH: 18 Kasr El Nil St. Tel: 753125/75820 Tlx: 92661 EGAMBK UN MAADI BRANCH: 87 Moustafa Kamel St. Tel: 3502203/3508362 Tlx: 20296 EGAMBK UN MERSHANY BRANCH: 79 El Marghary St. Heliopolis Tel: 2008176/2008175 Tlx: 22784 EGAMBK UN MOHANDESSIN BRANCH: 26 El Bahi Ahmed Abdel Aziz St. Tel: 707233/716321 Tlx: 53480 EGAMBK UN SARWAT BRANCH: 48/50 Abdel Khasek Sarwat St. Tel: 251216/2515374/0910821 Tlx: 94345 EGAMBK UN HELIOPOLIS SPORTING CLUB 17 El Marghary St. Heliopolis Tel: 672760 ALEXANDRIA: ALEXANDRIA MAIN BRANCH: 14 Saïh Salem St. Tlx: 4835008/4835010/4830405/4828640 Tlx: 54387 EGAMBK UN GILYM BRANCH: 545 Tank El Horreya St. Tel: 5877491 ALEXANDRIA SPORTING CLUB: Gamal Abdel Nasser St. Tel: 954539 (2).

EGYPT 3

Tony Walker looks at the problems of the banking sector

Credit standing slips badly

WHEN EXCHANGE rate reforms were introduced in May 1987, in an effort to curb a rampant black market, government officials forecast a dramatic improvement in the flow of foreign exchange through the banking system. A year later, these officials have been proved partly correct, although available foreign exchange still falls well short of requirements. Official statistics suggest that banks' hard currency receipts have been averaging more than \$10m a day. This is a vast improvement on the approximately \$200,000 a day that was flowing into the banking system before the reforms...



One of the 'big four' banks

turn out to be the only solution unless the Egyptians can persuade the banks to agree to an informal rescheduling or some other scheme that would allow the debt to be discounted. Western bankers report that Egypt's creditworthiness is continuing to suffer because of the seemingly intractable private debt problem. 'I think they're getting the message that their credit standing is slipping badly around the world,' said one banker. 'The amount of credit available to the banking system externally has gone down dramatically in the past 18 months.'

Islamic funds

A liquidation threat

IS THE party over? That is the question being asked by bankers and businessmen following the introduction in early June of a new investment law that seeks to curb the activities of Islamic investment companies whose spectacular growth since 1984 has stunned the banking sector and presented the government with a huge regulatory problem. Discussion in Egyptian financial circles has tended in the first half of this year to focus on an unfolding drama that has pitted the authorities against this powerful new force whose deposits are believed to total billions. Heads of these so-called Islamic companies, which pay 'dividends' rather than 'interest' on deposits in accord with Islam's ban on usury, declare they would seek modifications to the new law, and if that was not successful they would go into liquidation. The government has been slow to confront these institutions...

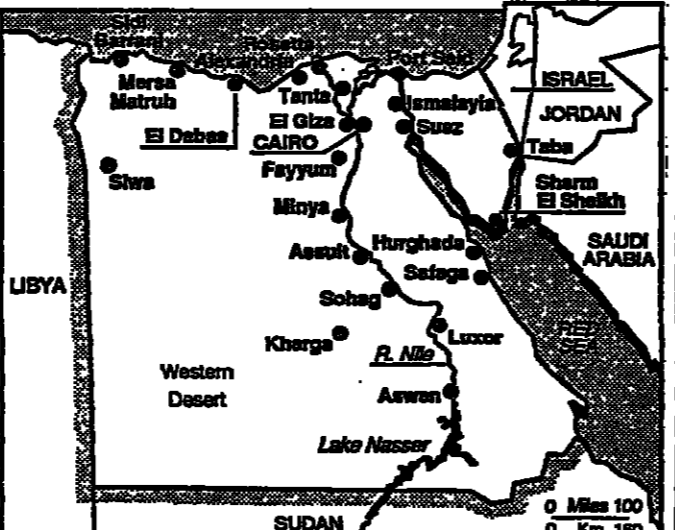


President Mubarak of Egypt with Mrs Thatcher, Britain's Prime Minister, at 10 Downing Street

who say that Egypt is already in danger of being 'over-banked'. Foreign currency branches like Lloyds in an effort to broaden their activities have been permitted to open local currency 'windows' under the auspices of a local bank authorised to deal in Egyptian pounds, but managers report these arrangements are barely profitable. The government has been reluctant to agree to an orderly rescheduling of non-governmental commercial debt through the London Club, but this may well... Fairly rigorous attempts were made to apply the credit ceilings in the early to middle part of last year, bankers report, but these have been relaxed recently. This is assumed to be because the government is concerned about lack of economic growth. Very rapid growth in the money supply throughout the 1980s is blamed for present worrying inflationary pressures. The latest American embassy economic trends report noted that from year-end 1980 to year-end 1986, the domestic money supply grew from E210.4bn to E237.1bn.

Privatisation

Continued from Page 2 He said that he was not in favour of privatising public sector entities. He would rather see more assistance given to the private sector to grow in tandem with government-owned enterprises. His opposition to privatisation, he declared, was 'non-ideological.' It was simply that he believed the same goal - the revitalisation of industry - could be reached by encouraging private sector growth. Mr Wahab said that it was only a few years ago that the instinctive government response was to say 'no' to any new private sector project. Now, it was inclined to say 'yes.' Furthermore, the public sector was no longer being given the 'power of veto' over new proposals that might create competition. The Industry Minister said that he would like to see the balance between the public and private sectors redressed and even reversed by 'enlarging the private sector base.' The United States Agency for International Development (Usaid), in line with the Reagan Administration's policy of encouraging private enterprise in developing countries, is devoting funds and resources to this end. One of its projects under what is known as ESOP (employee stock ownership programme) is to encourage a form of 'people's capitalism' at a new tyre-making concern in Alexandria.



Usaid is providing a long-term loan of E240m to enable employees to buy a stake in a new radial tyre-making plant for trucks. Because of its political sensitivity, hope that a successful transfer of small enterprises in the governorates will serve as an example for the privatisation of larger units in the cities. Meanwhile, Dr Sultan is determined to press ahead with his liberalisation programme in the tourism sector. He says he has not lost the battle of the San Stefano. He expects it will pass into private hands, probably to the al Fayeds... on a 99-year lease.

Tony Walker

Advertisement for THE NILE BANK. Includes the bank logo, capital information, comparative figures for 1986 and 1987, a list of 15 Nile Bank Companies, and details of bank branches and Islamic branches.

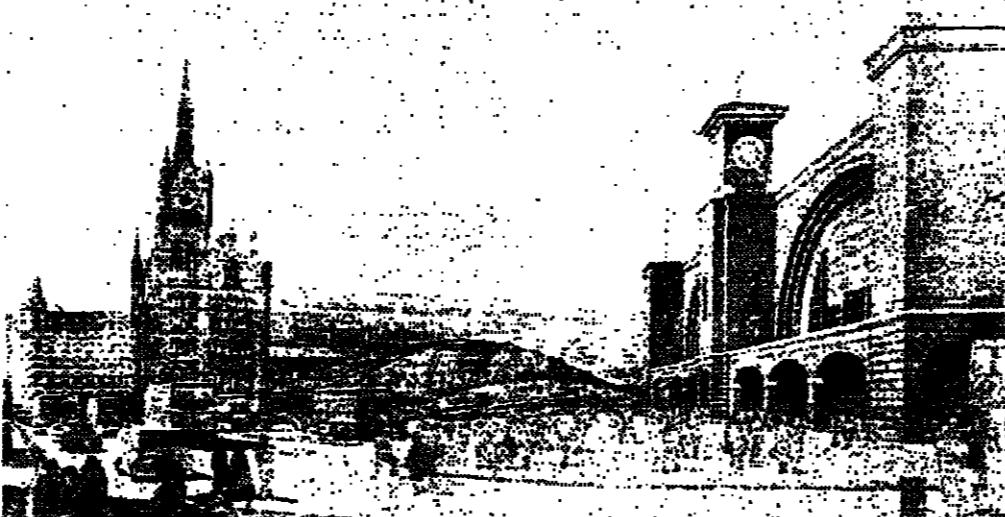
Advertisement for ALEXANDRIA COMMERCIAL & MARITIME BANK. Features a logo, financial data comparing 1987 and 1986 figures, and contact information for Alexandria, Cairo, and other branches.

ARTS

My Wife Whatsername/Watermill

Martin Hoyle

The Watermill Theatre at Begun, outside Newbury, provides a host of pleasures incidental to the playing-out. Charming laws (if the legends could be removed), a clean river winding through Berkshire meadows, the occasional local celebrity in the shape of Sir Michael Horner cheerily waving his stick as he strolls (wisely) in a wicker chair. The theatre's first birthday party will later present the British premiere of an intriguing American play. All the sadder, therefore, to record that this new comedy, apparently destined for the West End, is an unmitigated disaster. It is a unmitigated disaster. It is a unmitigated disaster. It is a unmitigated disaster.



Norman Foster's proposed plans for the King's Cross development

Architecture/Colin Amery
Fostering a revolution

There should be joy, for once, in the hearts of the British architectural profession. Norman Foster, long acknowledged internationally as a leading twentieth century designer, has been given the opportunity he has always wanted to build on a large scale in London. The London Regeneration Consortium (led by Rosehaugh Stanhope) has announced that Foster Associates has been appointed master planners for Mr Sturatt Lipton's giant King's Cross Development.

The Changeling/Lyttelton

Michael Coveney

Richard Eyre's first National Theatre production since being appointed successor to Peter Hall (the baton changes hands in September) is a stunning transposition of Middleton and Rowley's mid-17th century Italianate tragedy of blood and lust to a Spanish slave colony of the 19th century. First response is relief at signs of intelligent interpretative life after the dull respectability of 'The Pig She's A Whore'. But this is tampered with grave doubts about the casting of the main two roles and overall standards of diction and audibility.



George Harris and Miranda Richardson

Weekend pop/Antony Thorncroft

Springsteen and Sade

The Boss was back in town on Saturday, just checking on morale. Everything was fine, as it should be in the climax of this secular communion. But what made it even more memorable than usual were the hints of change in the man. He was flippant, almost frivolous. The voice of the blue collar worker was muted. In his place the apparition of the homespun philosopher, the conscience of his nation, shimmered before our eyes. In his long and winsome intro to 'Spare Parts', in the bantering lead into 'Coward when it comes to love', you could almost see the sign pointing towards Caesar's Palace, Las Vegas. Suddenly Springsteen sounded ominously like President Reagan glazing through his weekly radio chat to the people.

An Occurrence at Owl Creek Bridge/Bracknell

Paul Driver

The Wilde Festival of Music, held at South Hill Park in Bracknell, is devoting this year to the less than inspiring theme of 19th century American music. This affords us Gotschalk and Sousa, headwinds and Hawaiian guitars, it's true, and apparently tolerates Carmina Burana, Dvorak and Judith Weir. For its opera, though - so eminently houseable in the small, beautifully appointed Wilde Theatre - the festival has accepted the formula of a double-bill only half of which links with the theme. Thus Musgrave's An Occurrence at Owl Creek Bridge (1981), based on a story of the Civil War by Ambrose Bierce, and here receiving its premiere as a fully staged work.

Kagel/Elizabeth Hall

Max Loppert

The Almeida Festival travelled on Saturday to the South Bank for a tripartite celebration of Mauricio Kagel. The Argentinian-born composer, musical theorist, filmmaker and surrealist-humorist is one of the 'themes' of this year's festival, and this was the first of four Kagel days. The music-theatre group Vocem gave two programmes, early-evening and late-evening, in between the Almeida Ensemble under Rupert Dawkins gave the first birthday party, a piano of 'Oral Treason', staged by the Almeida artistic director Pierre Audi (and simultaneously recorded for future BBC television showing).

Edinburgh Fringe Festival

Productions by 473 companies from 22 nations will take place during the 42nd Edinburgh Fringe Festival this year. The festival, which is the second largest in the world, will be staged between August 9 and September 3 in the 144 fringe venues by more than 600 artists. Scottish representation is on the increase, exceeding companies from the rest of the UK and matching London's 130 companies. Although this year's festival is marginally smaller than last

Arts Guide June 24-30

- MUSIC LONDON
Schonron Ensemble Berlin. Members of the Berlin Philharmonic Orchestra play Mozart and Schubert (Mon), Dvorak, Janig Yun and Beethoven (Wed), Queen Elizabeth Hall (20.30-21.30).
London Chamber School and London Mozart Players, conducted by Jan Glover, play Stravinsky, Mozart and Bruckner, Barbican Hall (Mon), (20.30-21.30).
Pittersons Orchestra, conducted by Owen Arwel Hughes with Penelope Thwaites, piano, Mendelssohn, Mozart and Beethoven, Barbican Hall (Wed).

THE ROYAL BERKSHIRE
OPERATED BY HYATT INTERNATIONAL
THE ALTERNATIVE HEATHROW HOTEL
JUST 20 MINUTES FROM HEATHROW
THE EARLY MORNING FLIGHT IS BREAKING FOR TAKE OFF.

Exclusively for Guests of the
HYATT REGENCY BRUSSELS
Complimentary copies of the Financial Times are made available by the Hyatt Regency Hotel Brussels for its guests every morning.

3 per cent REDEMPTION STOCK, 1986-1996
REDEMPTION OF £41 MILLION
OUTSTANDING BALANCE
The Bank of England announces that Her Majesty's Treasury intends to redeem at par the outstanding balance of approximately £41 million of 3 per cent Redemption Stock, 1986-1996 on 1st October 1988.

Hymns/The Place
Clement Crisp
Ever since he joined the Royal Ballet nearly a decade ago, Jonathan Burrows has shown an enquiring creative gift. He has made dances for workshops, and in 1983 he staged The Winter Play for Sadler's Wells Royal Ballet. The result is a curiosity, but one that catches the imagination. The piece is short, lasting, with an interval, just one hour. Its first part finds two Royal Ballet dancers, Jeremy Sheffield and William Trevitt, joined by William Tuckett, still a student. They wear grey striped pyjamas, and as some beguiling Brazilian jazz (by Wilson Simonal) is played, the three seem involved in a ritualistic encounter.

CHICAGO
Revival Festival, 3rd season of the summer home of the Chicago Orchestra opens with a jazz pro-



SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday June 27 1988

Vent-Axia Fresh solutions to stale problems

INTERNATIONAL BONDS

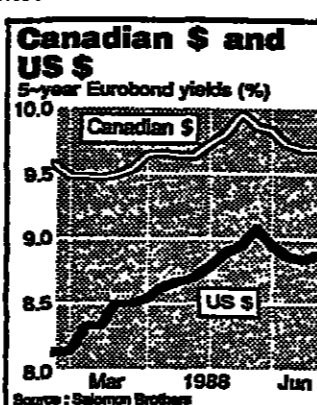
Nervous watch as sentiment bubbles in dollar sector

BY DOMINIQUE JACKSON IN LONDON

THE EUROBOND market seems set for a nervous week. Traders will be trying to fathom whether the US dollar has finally returned to favour or whether, as has happened so many times in the past, syndicate managers responsible for launching \$1.25bn in new dollar straight bonds last week have once again jumped the starting gun.

drought is more psychological than anything else, the fact they might have to start shooting cows over their head soon could turn the dollar on its head. The market has seen a number of traditional, conventionally offered and relatively successful US dollar issues, but an equally strong return to prominence for the Canadian dollar sector. However, the persistence of singular, largely pre-sold or targeted issues indicates that the Eurodollar bond sector has still some way to go to recoup its previous form.

Several deals seemed tailor-made for the Belgian dentist's portfolio. These included Dresdner Bank's C\$100m issue for BMW Finance and Deutsche Bank Capital Markets' smaller C\$40m deal for BASF Canada. J.P. Morgan led a three-year issue on Friday for France's Credit National which also met excellent demand across Europe. The short maturity was popular and the issue was swiftly increased from an initial amount of C\$75m to C\$100m.



11-year deal for Bell Canada, a deal led by UBS Securities, also increased from C\$125m to C\$150m. The bond market has also shown surprising resilience, refusing to fall quite as far as the US Treasury market on the few days recently when New York has been headed south.

However, spreads have been tightening swiftly and it is debatable how long investors will be happy remaining in a market offering such a slim premium over the US market, one which it tracks so slavishly because their respective economies are so closely intertwined. Elsewhere, the Eurofranc sector saw its third substantial issue in the last few weeks. Credit Commercial de France was the lead manager on a FF1.5bn issue for Caisse Nationale des Telecommunications which has the guarantee of the French Government.

They hoped they would go some way to redressing the liquidity problems the sector has suffered from since its successful reopening in 1985. The Eurofranc sector also seems set to benefit from the excellent form of the French government bond market, which continues to outperform almost all its global rivals, buoyed by a steady currency and a perception that French interest rates are set to fall shortly. Banque Indosuez (Suisse) said on Friday it had withdrawn indefinitely a SF750m gold-linked bond for Galactic Holdings, part of Canada's Galactic Resources group. The bank was obliged to amend the original terms of the issue when the Swiss National Bank declared the deal in violation of federal banking law.

Boardroom deal boosts Spanish banking merger

BY PETER BRUCE IN MADRID

EFFORTS TO merge Spain's two biggest banks, Banco Central and Banco Espanol de Credito (Banesto), have been given a boost following weekend concessions by Mr Alfonso Escamez, Banco Central's embattled chairman. Mr Escamez diffused what promised to be a stormy shareholders meeting on Saturday by agreeing with Cartera Central's two main shareholders, the cousins Alberto Alcocer and Alberto Cortina, that they would be given a fifth seat on the Banco Central board and representation on the new holding company being established to oversee the merger with Banesto.

Escamez engineered the Banesto merger in an effort to shake them off. Cartera's holding in Banco Central is held at 13 per cent, but soon after the merger plans were announced the two main shareholders began buying Banesto stock as well in order to maintain their overall position in the merged unit. The two did not oppose the merger itself, but threatened to raise legal objections to the equalisation of the market value of Banesto with Central, which is the bigger bank. Saturday's agreement appears to have set these objections to rest, though it is likely that Cartera Central will continue to buy into Banesto. The Cartera Central makes use of only three of its four seats on the Banco Central board at the moment and the creation of a fifth seat means both cousins will now sit on the board.

EUROCREDITS

International support homes in on UK house financing

HOUSE FINANCE deals for UK borrowers continue to come to the international syndicated loans market despite misgivings in some quarters, discussed in this column last week, about banks' appetite for such deals. The latest is an on-balance sheet financing, arranged by Chase Investment Bank for Abbey Life Executive Mortgages, a subsidiary of the Abbey Life Group. The \$100m revolving credit carries an interest margin of 20 basis points over London interbank offered rates.

can pay more than 40 basis points. But Chase is clearly expecting that the on-balance sheet nature of the deal gives it importance to banks in terms of their relationship with the parent. Indeed, National Westminster Bank is said to be using relationships with the French insurance group Midil as an enticement in its syndication of the \$150m seven-year facility with a 35 basis point margin for Equity & Home Loans, part of the Midil group. There is a question about whether this will wash, and if the lead banks are not overestimating the value of the relationships. Some extra capacity is thought to be coming into the market: Target Home Loans, for example, is said to be prepaying a \$25m facility, because it is now part of

the TSB Group which has the room to finance the mortgages itself. The credit quality of such loans is undoubtedly high. Nevertheless, some banks seem to be hitting limits for such financings, while others are insisting on minimum returns of 40 to 45 basis points. The problems of getting the market wrong are illustrated by Credit Lyonnais's syndication of a \$200m facility for Leeds Permanent, which launched in January and signed an extraordinary six months later. The main problem was that Credit Lyonnais brought a very aggressive deal just as sentiment in the market turned. Elsewhere, Chemical Bank is understood to be arranging a \$425m five-year facility for Cer-

Table with 4 columns: Primary Market, Secondary Market, and two unlabeled columns. Rows include US\$, UK\$, and other currencies with various values.

last week, carries a facility fee of 5% basis points, a margin of 10 basis points and a utilisation fee of 2% basis points if more than half drawn. The terms are tight, but RICI: is one of the very few of the top 50 UK companies not to have arranged such a facility, and the deal will undoubtedly be justified on relationship reasons. BankAmerica, which has been mandated to arrange a financing for Associates Corporation of North America, has completed a \$150m, three-year revolving credit, extendible to five years, for General Mills. It carries a 12% basis point margin, a utilisation fee of 7% basis points if more than half drawn, and a facility fee of 6% basis points for three years and 7% basis points thereafter.

A small group of banks has signed a \$75m loan for the International Investment Bank, of the Soviet Union, arranged by Deutsche Bank Luxembourg. The loan, for specific projects, was originally targeted at between \$50m and \$100m. It carries a margin of 18% basis points over 10 years, with an eight-year grace period. In the commercial paper market, Creditanstalt-Bankverein, Austria's largest bank, announced a \$800m programme to issue Eurocommercial paper, Eurocertificates of deposit and medium-term notes. Merrill Lynch International arranged the programme, with Chase Investment Bank, J.P. Morgan and Warburg also acting as dealers. Stephen Fidler

Continental Airlines takes \$131m charge on tickets

BY ANATOLE KALETSKY IN NEW YORK

CONTINENTAL AIRLINES, one of the two main operating subsidiaries of Texas Air, the biggest US airline group, is to take a charge of \$131m for underestimating ticketing liabilities. Continental said it would show a loss in the second quarter because of the charges, which relate to liabilities for tickets that have been paid for but not yet used. However, the airline forecast it would make an operating profit in the second half of 1988 and said the charges would have no impact on its current or future

cash level. A different interpretation of Continental's accounting methods was suggested last month by the International Association of Machinists, the main union involved in a bitter contract dispute with Eastern Air Lines, Texas Air's other main subsidiary. The IAM pointed to the unusually low levels of Continental's ticketing liabilities in May and claimed this had allowed Texas Air artificially to inflate Continental's profits while exaggerating losses at Eastern.

Advertisement for Gunze Limited, U.S. \$150,000,000, 4 1/8 per cent. Notes due 1993, with Warrants. Lists various international securities firms as agents.

Advertisement for ARLINGTON SECURITIES PLC, £50,000,000 Sterling Commercial Paper Programme, and ARLINGTON PROPERTY INVESTMENTS LIMITED, £35,000,000 Syndicated Fixed Rate Loan Facility due 1995. Lists various banks and agents.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abbey Unit Trust, Abbey Unit Trust, etc., with columns for name, manager, and other details.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC - Contd.', including details like 'Allied Dunbar Unit Trusts PLC', 'Allied Dunbar Unit Trusts PLC', etc.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd', including details like 'Brown Shipley & Co Ltd', 'Brown Shipley & Co Ltd', etc.

Table listing unit trusts under the heading 'Equitable Unit Trusts', including details like 'Equitable Unit Trusts', 'Equitable Unit Trusts', etc.

Table listing unit trusts under the heading 'Graham Unit Trusts', including details like 'Graham Unit Trusts', 'Graham Unit Trusts', etc.

Table listing unit trusts under the heading 'London & Manchester (Trust) Ltd', including details like 'London & Manchester (Trust) Ltd', 'London & Manchester (Trust) Ltd', etc.

Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts', including details like 'Merrill Lynch Unit Trusts', 'Merrill Lynch Unit Trusts', etc.

Table listing unit trusts under the heading 'NFI Mutual Unit Trusts', including details like 'NFI Mutual Unit Trusts', 'NFI Mutual Unit Trusts', etc.

Table listing unit trusts under the heading 'Scottish Unit Trusts', including details like 'Scottish Unit Trusts', 'Scottish Unit Trusts', etc.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC', including details like 'Allied Dunbar Unit Trusts PLC', 'Allied Dunbar Unit Trusts PLC', etc.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd', including details like 'Brown Shipley & Co Ltd', 'Brown Shipley & Co Ltd', etc.

Table listing unit trusts under the heading 'Equitable Unit Trusts', including details like 'Equitable Unit Trusts', 'Equitable Unit Trusts', etc.

Table listing unit trusts under the heading 'Graham Unit Trusts', including details like 'Graham Unit Trusts', 'Graham Unit Trusts', etc.

Table listing unit trusts under the heading 'London & Manchester (Trust) Ltd', including details like 'London & Manchester (Trust) Ltd', 'London & Manchester (Trust) Ltd', etc.

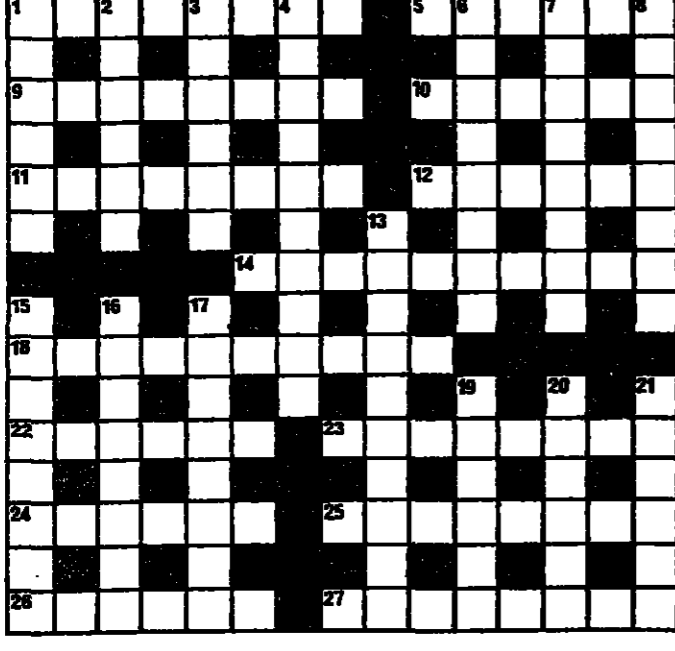
Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts', including details like 'Merrill Lynch Unit Trusts', 'Merrill Lynch Unit Trusts', etc.

Table listing unit trusts under the heading 'NFI Mutual Unit Trusts', including details like 'NFI Mutual Unit Trusts', 'NFI Mutual Unit Trusts', etc.

Table listing unit trusts under the heading 'Scottish Unit Trusts', including details like 'Scottish Unit Trusts', 'Scottish Unit Trusts', etc.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters Code: IGIN, IGI0.

FT CROSSWORD No.6,666 SET BY QUARK



- 1 Final delivery signifying retirement (4,4)
2 Fast pace - cause of unrest at work (6)
3 Fall in position of French movement (8)
4 Lady gathers information for business programme (6)
5 Praises e.g. soul - i.e. in excitement (5)
6 Play it to take a death (6)
7 Company book artist group against the law (10)
8 Prepared for ideal home exhibition? (5-5)
9 Change pace to get reinforcement to boot (6)
10 Cheapest accommodation ever in a coach (6)
11 Hard ground: cricket could be on it (6)
12 Could describe mass grave (8)
13 Fish round head of river verge (6)
14 Tot up last sum with first taken off as a tailpiece (8)
15 holding by both hands? (6)
16 Herb's arsing (6)
17 Got, pos swimming in the soup? (6)
18 Ins and outs? It just shows you (5-5)
19 Medical pass? (8)
20 Power restorer who's often business with a match (6)
21 Penny loads my variable collection for worship (6)
22 Designed crude strut of a certain framework (10)
23 Find fault in Tom? That's gossip (6)
24 Good at arithmetic? Could be true? Amen! (8)
25 Schoolmasterly walker's caper (8)
26 Arrange seat and come to rest on it (6)
27 Managed to be there before the detectives, I'm off (6)
28 Water to rest to beat noisy uproar (6)
29 Arranged seat and come to rest on it (6)
30 The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 9.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC', including details like 'Allied Dunbar Unit Trusts PLC', 'Allied Dunbar Unit Trusts PLC', etc.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd', including details like 'Brown Shipley & Co Ltd', 'Brown Shipley & Co Ltd', etc.

Table listing unit trusts under the heading 'Equitable Unit Trusts', including details like 'Equitable Unit Trusts', 'Equitable Unit Trusts', etc.

Table listing unit trusts under the heading 'Graham Unit Trusts', including details like 'Graham Unit Trusts', 'Graham Unit Trusts', etc.

Table listing unit trusts under the heading 'London & Manchester (Trust) Ltd', including details like 'London & Manchester (Trust) Ltd', 'London & Manchester (Trust) Ltd', etc.

Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts', including details like 'Merrill Lynch Unit Trusts', 'Merrill Lynch Unit Trusts', etc.

Table listing unit trusts under the heading 'NFI Mutual Unit Trusts', including details like 'NFI Mutual Unit Trusts', 'NFI Mutual Unit Trusts', etc.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC', including details like 'Allied Dunbar Unit Trusts PLC', 'Allied Dunbar Unit Trusts PLC', etc.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd', including details like 'Brown Shipley & Co Ltd', 'Brown Shipley & Co Ltd', etc.

Table listing unit trusts under the heading 'Equitable Unit Trusts', including details like 'Equitable Unit Trusts', 'Equitable Unit Trusts', etc.

Table listing unit trusts under the heading 'Graham Unit Trusts', including details like 'Graham Unit Trusts', 'Graham Unit Trusts', etc.

Table listing unit trusts under the heading 'London & Manchester (Trust) Ltd', including details like 'London & Manchester (Trust) Ltd', 'London & Manchester (Trust) Ltd', etc.

Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts', including details like 'Merrill Lynch Unit Trusts', 'Merrill Lynch Unit Trusts', etc.

Table listing unit trusts under the heading 'NFI Mutual Unit Trusts', including details like 'NFI Mutual Unit Trusts', 'NFI Mutual Unit Trusts', etc.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC', including details like 'Allied Dunbar Unit Trusts PLC', 'Allied Dunbar Unit Trusts PLC', etc.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd', including details like 'Brown Shipley & Co Ltd', 'Brown Shipley & Co Ltd', etc.

Table listing unit trusts under the heading 'Equitable Unit Trusts', including details like 'Equitable Unit Trusts', 'Equitable Unit Trusts', etc.

Table listing unit trusts under the heading 'Graham Unit Trusts', including details like 'Graham Unit Trusts', 'Graham Unit Trusts', etc.

Table listing unit trusts under the heading 'London & Manchester (Trust) Ltd', including details like 'London & Manchester (Trust) Ltd', 'London & Manchester (Trust) Ltd', etc.

Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts', including details like 'Merrill Lynch Unit Trusts', 'Merrill Lynch Unit Trusts', etc.

Table listing unit trusts under the heading 'NFI Mutual Unit Trusts', including details like 'NFI Mutual Unit Trusts', 'NFI Mutual Unit Trusts', etc.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC', including details like 'Allied Dunbar Unit Trusts PLC', 'Allied Dunbar Unit Trusts PLC', etc.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd', including details like 'Brown Shipley & Co Ltd', 'Brown Shipley & Co Ltd', etc.

Table listing unit trusts under the heading 'Equitable Unit Trusts', including details like 'Equitable Unit Trusts', 'Equitable Unit Trusts', etc.

Table listing unit trusts under the heading 'Graham Unit Trusts', including details like 'Graham Unit Trusts', 'Graham Unit Trusts', etc.

Table listing unit trusts under the heading 'London & Manchester (Trust) Ltd', including details like 'London & Manchester (Trust) Ltd', 'London & Manchester (Trust) Ltd', etc.

Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts', including details like 'Merrill Lynch Unit Trusts', 'Merrill Lynch Unit Trusts', etc.

Table listing unit trusts under the heading 'NFI Mutual Unit Trusts', including details like 'NFI Mutual Unit Trusts', 'NFI Mutual Unit Trusts', etc.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC', including details like 'Allied Dunbar Unit Trusts PLC', 'Allied Dunbar Unit Trusts PLC', etc.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd', including details like 'Brown Shipley & Co Ltd', 'Brown Shipley & Co Ltd', etc.

Table listing unit trusts under the heading 'Equitable Unit Trusts', including details like 'Equitable Unit Trusts', 'Equitable Unit Trusts', etc.

Table listing unit trusts under the heading 'Graham Unit Trusts', including details like 'Graham Unit Trusts', 'Graham Unit Trusts', etc.

Table listing unit trusts under the heading 'London & Manchester (Trust) Ltd', including details like 'London & Manchester (Trust) Ltd', 'London & Manchester (Trust) Ltd', etc.

Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts', including details like 'Merrill Lynch Unit Trusts', 'Merrill Lynch Unit Trusts', etc.

Table listing unit trusts under the heading 'NFI Mutual Unit Trusts', including details like 'NFI Mutual Unit Trusts', 'NFI Mutual Unit Trusts', etc.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC', including details like 'Allied Dunbar Unit Trusts PLC', 'Allied Dunbar Unit Trusts PLC', etc.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd', including details like 'Brown Shipley & Co Ltd', 'Brown Shipley & Co Ltd', etc.

Table listing unit trusts under the heading 'Equitable Unit Trusts', including details like 'Equitable Unit Trusts', 'Equitable Unit Trusts', etc.

Table listing unit trusts under the heading 'Graham Unit Trusts', including details like 'Graham Unit Trusts', 'Graham Unit Trusts', etc.

Table listing unit trusts under the heading 'London & Manchester (Trust) Ltd', including details like 'London & Manchester (Trust) Ltd', 'London & Manchester (Trust) Ltd', etc.

Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts', including details like 'Merrill Lynch Unit Trusts', 'Merrill Lynch Unit Trusts', etc.

Table listing unit trusts under the heading 'NFI Mutual Unit Trusts', including details like 'NFI Mutual Unit Trusts', 'NFI Mutual Unit Trusts', etc.

Table listing unit trusts under the heading 'Allied Dunbar Unit Trusts PLC', including details like 'Allied Dunbar Unit Trusts PLC', 'Allied Dunbar Unit Trusts PLC', etc.

Table listing unit trusts under the heading 'Brown Shipley & Co Ltd', including details like 'Brown Shipley & Co Ltd', 'Brown Shipley & Co Ltd', etc.

Table listing unit trusts under the heading 'Equitable Unit Trusts', including details like 'Equitable Unit Trusts', 'Equitable Unit Trusts', etc.

Table listing unit trusts under the heading 'Graham Unit Trusts', including details like 'Graham Unit Trusts', 'Graham Unit Trusts', etc.

Table listing unit trusts under the heading 'London & Manchester (Trust) Ltd', including details like 'London & Manchester (Trust) Ltd', 'London & Manchester (Trust) Ltd', etc.

Table listing unit trusts under the heading 'Merrill Lynch Unit Trusts', including details like 'Merrill Lynch Unit Trusts', 'Merrill Lynch Unit Trusts', etc.

Table listing unit trusts under the heading 'NFI Mutual Unit Trusts', including details like 'NFI Mutual Unit Trusts', 'NFI Mutual Unit Trusts', etc.

Handwritten text at the bottom of the page, possibly a signature or note.

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, including columns for company names, fund names, and numerical values. The table is organized into sections such as 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

Table listing various insurance companies and their associated unit trusts, including details like fund names and values.

Table listing insurance companies and their unit trusts, including details like fund names and values.

Table listing insurance companies and their unit trusts, including details like fund names and values.

Table listing insurance companies and their unit trusts, including details like fund names and values.

Table listing insurance companies and their unit trusts, including details like fund names and values.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts, including details like fund names and values.

FT UNIT TRUST INFORMATION SERVICE

Table containing various unit trust information including Pioneer Mutual Insurance Co Ltd, Prudential Life Assurance Co Ltd, Standard Life Assurance Co Ltd, and numerous other insurance and investment companies with their respective fund names and details.

Table containing various unit trust information including Japansky Pty Ltd, Knight Williams & Company Ltd, TSB Life Ltd, Target Life Assurance Co Ltd, and numerous other investment and insurance companies with their respective fund names and details.

Handwritten Arabic text at the bottom center of the page.

Handwritten mark or signature in the top right corner of the page.

هكذا صد اقول

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts such as British Life International Ltd, Prudential Capital International Ltd, and others, with columns for Name, Price, and % Change.

BRITISH FUNDS

Table of British Funds, categorized into 'Shorts' (Lives up to Five Years), 'Five to Fifteen Years', and 'Over Fifteen Years', listing fund names, prices, and performance metrics.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails, listing international investment options with columns for Name, Price, and % Change.

INT. BANK AND O.E.A.S GOVT STERLING ISSUES

Table of International Bank and O.E.A.S Government Sterling Issues, listing specific financial instruments and their details.

CORPORATION LOANS

Table of Corporation Loans, listing loan details for various companies.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans, listing loan details for developing regions.

LOANS

Table of Loans, listing various loan products and their terms.

Public Board and Ind.

Table of Public Board and Industrial information, listing company names and related data.

Money Market

Table of Money Market, listing interest rates and market conditions.

Trust Funds

Table of Trust Funds, listing various trust investment options.

Money Market Bank Accounts

Table of Money Market Bank Accounts, listing banking services and rates.

Continued on next page

NOTES: Come into effect from... and other financial notices and disclaimers.

LONDON SHARE SERVICE

AMERICANS - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various American stocks like IBM, Microsoft, etc.

CANADIANS

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various Canadian stocks like Alcan, Inco, etc.

BANKS, HP & LEASING

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various bank and leasing stocks like Citicorp, etc.

BEERS, WINES & SPIRITS

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various beer, wine, and spirit stocks like Heineken, etc.

BUILDING, TIMBER, ROADS

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various building, timber, and road stocks like Bechtel, etc.

BUILDING, TIMBER, ROADS - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Continuation of building, timber, and road stocks.

CHEMICALS, PLASTICS

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various chemical and plastic stocks like BASF, etc.

DRAPERY AND STORES

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various drapery and store stocks like Debenhams, etc.

ENGINEERING

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various engineering stocks like BAE, etc.

DRAPERY AND STORES - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Continuation of drapery and store stocks.

ELECTRICALS

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various electrical stocks like British Telecom, etc.

ENGINEERING - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Continuation of engineering stocks.

ENGINEERING

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various engineering stocks like BAE, etc.

ENGINEERING - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Continuation of engineering stocks.

FOOD, GROCERIES, ETC

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various food and grocery stocks like Unilever, etc.

HOTELS AND CATERERS

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various hotel and catering stocks like Whitbread, etc.

INDUSTRIALS (Misc.)

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various industrial stocks like British Steel, etc.

INDUSTRIALS (Misc.) - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Continuation of industrial stocks.

INDUSTRIALS (Misc.) - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Continuation of industrial stocks.

INDUSTRIALS (Misc.) - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Continuation of industrial stocks.

INDUSTRIALS (Misc.) - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Continuation of industrial stocks.

INDUSTRIALS (Misc.) - Contd

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Continuation of industrial stocks.

INSURANCES

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various insurance stocks like Prudential, etc.

INSURANCES

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various insurance stocks like Prudential, etc.

LEISURE

Table with columns: Market, Stock, Price, Div, Yield, Last, Dividend, City, Date. Lists various leisure stocks like Virgin, etc.

Handwritten text at the bottom of the page, possibly a signature or note.

LONDON SHARE SERVICE

هكذا هو الحال

LEISURE - Contd

Table of Leisure stocks including Leisure Group, Leisure World, Leisure Time, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising stocks including Newsprint, Printing, Advertising, etc.

TEXTILES - Contd

Table of Textiles stocks including Textiles, Clothing, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas stocks including Oil, Gas, etc.

MINES - Contd

Table of Mines stocks including Mines, Metals, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades stocks including Motors, Aircraft, etc.

PROPERTY

Table of Property stocks including Real Estate, etc.

TOBACCOS

Table of Tobaccos stocks including Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OVERSEAS TRADERS

Table of Overseas Traders stocks including Overseas, etc.

PLANTATIONS

Table of Plantations stocks including Plantations, etc.

COMMERCIAL VEHICLES

Table of Commercial Vehicles stocks including Commercial, etc.

COMPONENTS

Table of Components stocks including Components, etc.

FINANCE, LAND, ETC

Table of Finance, Land, Etc stocks including Finance, Land, etc.

MINES

Table of Mines stocks including Mines, Metals, etc.

CENTRAL AFRICA

Table of Central Africa stocks including Central Africa, etc.

DIAMOND AND PLATINUM

Table of Diamond and Platinum stocks including Diamond, Platinum, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers stocks including Newspapers, Publishers, etc.

SHIPPING

Table of Shipping stocks including Shipping, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Shoes, Leather, etc.

SOUTH AFRICANS

Table of South Africans stocks including South Africans, etc.

TEXTILES

Table of Textiles stocks including Textiles, Clothing, etc.

REGIONAL & IRISH STOCKS

Table of Regional & Irish Stocks including Regional, Irish, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising stocks including Paper, Printing, Advertising, etc.

PROPERTY

Table of Property stocks including Real Estate, etc.

TOBACCOS

Table of Tobaccos stocks including Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OIL AND GAS

Table of Oil and Gas stocks including Oil, Gas, etc.

MINES

Table of Mines stocks including Mines, Metals, etc.

Stock Exchange dealing classifications are indicated in the right of the table... A selective list of British stocks is given on the London Stock Exchange Report Page.

WORLD STOCK MARKETS

Handwritten note: 'هذا هو القبول'

AUSTRIA

Table of stock prices for Austria, including companies like Creditanstalt, Erste Bank, and others.

FRANCE (continued)

Table of stock prices for France, including companies like Air France, Bouygues, and others.

ITALY

Table of stock prices for Italy, including companies like IRI, Eni, and others.

NETHERLANDS

Table of stock prices for the Netherlands, including companies like ABN, Friesland, and others.

SWEDEN

Table of stock prices for Sweden, including companies like Astra, Volvo, and others.

CANADA

TORONTO

Table of stock prices for Toronto, including companies like Alcan, Inco, and others.

NEW YORK

Table of stock prices for New York, including companies like IBM, GE, and others.

INDICES

Table of stock indices for various markets, including Dow Jones, Nikkei, and others.

FINLAND

Table of stock prices for Finland, including companies like Nokia, Wärtsilä, and others.

GERMANY

Table of stock prices for Germany, including companies like Volkswagen, SAP, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NEW YORK

Table of stock prices for New York, including companies like IBM, GE, and others.

INDICES

Table of stock indices for various markets, including Dow Jones, Nikkei, and others.

JAPAN

Table of stock prices for Japan, including companies like Toyota, Honda, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

OVER-THE-COUNTER

Table of over-the-counter stock prices, including companies like Amgen, Genentech, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

NETHERLANDS (continued)

Table of stock prices for the Netherlands (continued), including companies like ABN, Friesland, and others.

Advertisement for Financial Times magazine, featuring the headline 'Have your F.T. hand delivered in Belgium' and '12 ISSUES FREE'.

Closing Prices June 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like 'High', 'Low', 'Stock', 'Div. Yld.', 'P/E', 'Volume', 'Close', 'Change'. It lists numerous individual stocks and their corresponding market data.

Handwritten signature or scribble at the bottom center of the page.

هكذا صحت القليل

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Change.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for High, Low, and Change.

OVER-THE-COUNTER

Table of Over-the-Counter prices listing various stocks with columns for High, Low, and Change.

Advertisement for Financial Times featuring the headline 'Have your F.T. hand delivered in Switzerland' and '12 FREE ISSUES'.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Looks like an uncertain week for the US dollar

BY JONAS CROSLAND

Where is the dollar going? The spectacular performance of the U.S. currency in foreign exchange markets on Friday, and especially in late trading in New York, will be the primary consideration of traders when the London market opens this morning. In reality, the market is hoping for some "overnight" guidance from the Far East, particularly from Tokyo, but the weekend mood has been bullish.

that G7 central banks are not opposed to a rise in the dollar's value, may presage a testing time for transatlantic relationships over the coming months. Proximity of the US Presidential election in November may now, however indirectly, colour (or at least influence marginally) the thoughts of the US Federal Reserve Bank. There is no denying that the US trade imbalance has shown a long overdue contraction in the past couple of months, and this could form some basis for an argument that the dollar might be allowed to appreciate somewhat. This could have a beneficial influence on the rate of inflation and a decrease in import costs. But there would be a cost, and most analysts argue

The West German Bundesbank has already shown its dislike for the prospect of importing inflation through a weak D-Mark, and West German money supply is already growing outside its official target range. The net effect on the dollar has been to increase its attraction to overseas investors. The latter will be keen to keep pushing the dollar in search of both a healthy return and a desire to establish the extent to which central banks (more specifically the US Federal Reserve) will allow the dollar to rise. Its break through key resistance levels at DMI.80 and Y130 last week failed to bring the authorities into the market, and this gave the dollar an added boost. While most traders see the reason at the moment why the dollar should continue to rise, activity towards the end of this week may start to slacken, as the US prepares for next Monday's July 4 celebrations.

£ IN NEW YORK

Table with columns: Date, Close, Previous Close. Rows for 1 month, 3 months, 6 months, 12 months.

STERLING INDEX

Table with columns: Date, Previous, Current. Rows for 100, 1000, 10000, 100000.

CURRENCY RATES

Table with columns: Currency, Rate, Change. Rows for Sterling, US Dollar, Canadian, etc.

CURRENCY MOVEMENTS

Table with columns: Currency, Rate, Change. Rows for Sterling, US Dollar, etc.

OTHER CURRENCIES

Table with columns: Currency, Rate, Change. Rows for Argentine, Australian, etc.

FORWARD RATES AGAINST STERLING

Table with columns: Term, Rate, Change. Rows for 1 month, 3 months, 6 months, 12 months.

MONEY MARKETS

UK base rates look set to rise again

THE LONDON money markets are expected to open this morning reflecting a further rise in UK bank base rates - in anticipation of the current account figures for May due at lunchtime. The market consensus is that the figure for last month will show a deterioration from the £525m deficit in April and be enough to bring about the fourth rise in base rate since May 18. As always, timing will be of the essence. Many market analysts over the weekend believed

that the rate will be increased immediately; others consider a rise inevitable, but are less sure of the timing. UK clearing bank base lending rate from June 22. There is mounting evidence that the Treasury is focusing so sharply on rising inflation and economic growth, that sterling's performance may assume a secondary importance.

If today's figures are poor, and the pound is sold, then rates will probably be increased sooner rather than later. On the other hand, if the pound were to rise, then that itself is a form of monetary tightening. Base rates were last cut 9 p.c. in March and since then sterling has appreciated against the D-Mark by over 4 p.c., underlying the market view that the authorities have adopted a tighter monetary stance. Either way, investors will be looking to the Treasury to take a

FT LONDON INTERBANK FIXING

Table with columns: Term, Rate, Change. Rows for 1 month, 3 months, 6 months, 12 months.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Bill type, Amount, Rate, Change.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Location, Term, Rate, Change. Rows for London, New York, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Currency, Rate, Change. Rows for Belgium, France, Germany, etc.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Term, Rate, Change. Rows for 1 month, 3 months, 6 months, 12 months.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Term, Rate, Change. Rows for 1 month, 3 months, 6 months, 12 months.

EURO-CURRENCY INTEREST RATES

Table with columns: Term, Rate, Change. Rows for 1 month, 3 months, 6 months, 12 months.

EXCHANGE CROSS RATES

Table with columns: Currency, Rate, Change. Rows for £/\$, £/DM, etc.

PHILADELPHIA SE 65 OPTIONS

Table with columns: Strike, Call, Put, Change. Rows for 100, 110, 120, etc.

LIFFE LONG GILT FUTURES OPTIONS

Table with columns: Strike, Call, Put, Change. Rows for 100, 110, 120, etc.

LIFFE 6 1/2% OPTIONS

Table with columns: Strike, Call, Put, Change. Rows for 100, 110, 120, etc.

LIFFE EURO-DOLLAR OPTIONS

Table with columns: Strike, Call, Put, Change. Rows for 100, 110, 120, etc.

LIFFE SHORT STERLING

Table with columns: Strike, Call, Put, Change. Rows for 100, 110, 120, etc.

CHICAGO

Table with columns: Term, Rate, Change. Rows for 1 month, 3 months, 6 months, 12 months.

BASE LENDING RATES

Table with columns: Bank, Rate, Change. Rows for AIB, Abbey, etc.

LONDON SE 6 1/2% OPTIONS

Table with columns: Strike, Call, Put, Change. Rows for 100, 110, 120, etc.

LIFFE 6 1/2% OPTIONS

Table with columns: Strike, Call, Put, Change. Rows for 100, 110, 120, etc.

LIFFE EURO-DOLLAR OPTIONS

Table with columns: Strike, Call, Put, Change. Rows for 100, 110, 120, etc.

LIFFE SHORT STERLING

Table with columns: Strike, Call, Put, Change. Rows for 100, 110, 120, etc.

CHICAGO

Table with columns: Term, Rate, Change. Rows for 1 month, 3 months, 6 months, 12 months.

BASE LENDING RATES

Table with columns: Bank, Rate, Change. Rows for AIB, Abbey, etc.

LONDON RECENT ISSUES

EQUITIES

Table with columns: Stock, Price, Change. Rows for various companies like British Airways, etc.

FIXED INTEREST STOCKS

Table with columns: Stock, Price, Change. Rows for various bonds and gilts.

"RIGHTS" OFFERS

Table with columns: Stock, Price, Change. Rows for various companies offering rights.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Stock, Price, Change. Rows for various European options.

FT - ACTUARIES WORLD INDICES

Table with columns: Index, Value, Change. Rows for various world indices like FT 1000, etc.

هكذا هو القليل

ROCKFORT

A copy of this document, which comprises listing particulars relating to Rockfort Group PLC in accordance with the listing rules made under the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration as required by section 149 of that Act. Application has been made to the Council of The Stock Exchange for the ordinary share capital of Rockfort Group PLC, issued and now being issued, to be admitted to the Official List. The Directors of Rockfort Group PLC, whose names appear herein, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The application list for the Ordinary Shares now being offered for sale or subscription will open at 10.00 a.m. on Monday, 4th July 1988 and will close as soon thereafter as Kleinwort Benson Limited may determine. The procedure for application and an application form are set out at the end of this document.



ROCKFORT
GROUP
PLC

Offer for Sale
by

Kleinwort Benson Limited

of 17,642,330 Ordinary Shares of 20p each
at 140p per share, payable in full on application

Share Capital

following the Offer for Sale		Issued and fully paid
Authorised	In Ordinary Shares of 20p each	£2,600,000
£11,800,000		

The Ordinary Shares now being offered for sale or subscription rank in full for all dividends or other distributions hereafter declared, paid or made on the ordinary share capital of the Company.

Indebtedness

At the close of business on 3rd June 1988, the Company and its subsidiaries had outstanding indebtedness of £19,352,000, comprising secured bank overdrafts of £1,003,000, secured loans of £18,341,000 and hire purchase and finance leasing liabilities of £8,000. At the close of business on 3rd June 1988, the Company and its subsidiaries had cash and bank balances of £1,933,000. Between 3rd June 1988 and 24th June 1988 the Company and its subsidiaries drew down further secured loans amounting to £3,709,000.

Save as aforesaid and apart from Intra-Group liabilities, neither the Company nor any of its subsidiaries had at the close of business on that date any loan capital, outstanding or created but unissued, term loans, mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees (other than rental and performance guarantees) or other material contingent liabilities.

Timetable

	1988
Completed application forms to be received by	10.00 a.m. on 4th July
Basis of allocation expected to be announced	5th July
Letters of acceptance expected to be sent out	8th July
Dealings expected to commence	11th July
Latest time for registration of renunciation expected to be	3.00 p.m. on 5th August
Share certificates expected to be sent out by	2nd September

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"Company"	Rockfort Group PLC
"Directors"	the directors of the Company
"Rockfort" or "Group"	the Company and its subsidiaries
"Rockfort Land"	Rockfort Land Limited
"Rockfort Homes"	Rockfort Homes Limited
"Admission"	admission of the Ordinary Shares to the Official List by the Council of The Stock Exchange
"Kleinwort Benson"	Kleinwort Benson Limited
"Offer" or "Offer for Sale"	the offer for sale or subscription described in this document
"Offer Price"	the amount to be paid for each of the Ordinary Shares now being offered for sale or subscription

"Ordinary Shares" ordinary shares of 20p each in the capital of the Company

All measurements given in this document are approximate only and, unless otherwise stated, the areas given for all buildings are expressed in terms of net lettable floor area.

Key information

The following information should be read in conjunction with the full text of this document, from which it is derived.

Business

- Rockfort is a property development group active in the office, retail, industrial and residential sectors. Since disposing of its construction subsidiary in 1984, Rockfort has concentrated on its core activity of property development and has grown rapidly.
- Rockfort's developments are primarily located in central London and provincial towns in south-east England including, in particular, towns in the Thames Valley.
- Rockfort's development programme currently comprises eight office schemes totalling in excess of 178,000 sq. ft., three retail schemes totalling 90,000 sq. ft. and nine residential schemes which are expected to provide over 430 units. Rockfort is also actively pursuing opportunities for industrial development.
- Rockfort's office and retail developments accounted for approximately 85 per cent. of gross profit in 1987, with residential developments accounting for the remaining 15 per cent.

Key strengths

- Rockfort's management team has considerable expertise in identifying and assembling sites with development potential and in organising the development process.
- Rockfort's diversified commercial developments demonstrate that it has the versatility to meet market demands as they vary both geographically and between the office, retail and industrial sectors.
- Rockfort's combination of commercial and residential development expertise enables it to put forward competitive proposals which increase the profit potential of sites.
- Rockfort operates a system of strict financial controls and reporting procedures in order to ensure efficient development of its sites and to maximise profit.

Financial record and forecast

Year to 31st December	Actual					Forecast
	1983	1984	1985	1986	1987	1988
Profit before taxation (£000)	1,082	26	90	664	2,676	8,400
Earnings per Ordinary Share (p)	2.2	(0.1)	(0.1)	1.5	5.6	15.4

Offer statistics

Offer Price	140p
Ordinary Shares in issue following the Offer	43,000,000
Market capitalisation at the Offer Price	£60.2 million
Percentage of enlarged ordinary share capital now being offered	41.0 per cent.
Amount being raised (net of expenses)	
— by the Company	£18.7 million
— by existing shareholders	£4.6 million

Price/earnings multiple based on the Offer Price and on forecast earnings per Ordinary Share for the year ending 31st December 1988 9.1 times
Gross dividend yield based on the Offer Price and on a notional gross dividend of 5.2p per Ordinary Share for the year ending 31st December 1988 3.7 per cent.

Dividend cover based on a notional net dividend of 3.9p per Ordinary Share and forecast earnings per Ordinary Share for the year ending 31st December 1988 3.95 times
Estimate of pro forma net tangible assets per Ordinary Share following the Offer 60.0p

Note: Further details relating to the financial record and forecast and the Offer statistics, including the bases and assumptions on which the Offer statistics are calculated, are set out in the sections headed "Financial record", "Profit forecast", "Dividends" and "Estimate of pro forma net tangible assets" in Part I below. The results for the five years ended 31st December 1987 are extracted from the Accountants' report set out in Part III below.

Directors and advisers

Directors	Roger Guy Smees Michael Gym Toh Colin Michael Brooks Robert Martin Mays-Smith all of Hurst Grove, Hurst, Reading RG10 0SQ	Chairman and Managing Director Group Finance Director Managing Director, Rockfort Homes Non-executive Director
Consultant	Andrew John Mack Huntley 55 Old Broad Street, London EC2M 1LP	
Secretary and Registered Office	Michael Gym Toh, FCA Hurst Grove, Hurst, Reading RG10 0SQ	
Financial Advisers	Kleinwort Benson Limited 20 Fenchurch Street, London EC3P 3DB	
Stockbrokers	Phillips & Drew Securities Limited 120 Moorgate, London EC2M 6XP	
Auditors and Reporting Accountants	Coopers & Lybrand, Chartered Accountants Bridewell House, 6 Greyfriars Road, Reading RG1 1JG and Plumtree Court, London EC4A 4HT	
Solicitors to the Company	Clifford Chance Roxey House, Aldermanbury Square, London EC2V 7LD	
Solicitors to the Offer	Freshfields Grindall House, 25 Newgate Street, London EC1A 7LH	
Reporting Property Valuers	Jones Lang Wootton 22 Hanover Square, London W1A 2BN	
Receiving Bankers	National Westminster Bank PLC New Issues Department, P O Box 79, 2 Princes Street, London EC2P 2BD	
Registrars and Paying Agents	National Westminster Bank PLC Registrar's Department, P O Box 82, Canton House, Redcliffe Way, Bristol BS89 7NH	
Principal Bankers	Kleinwort Benson Limited 20 Fenchurch Street, London EC3P 3DB National Westminster Bank PLC Reading Business Centre, Abbey Gardens, 4 Abbey Street, Reading RG1 3BA	

ROCKFORT

PART I History

Rockfort's origins date from 1976 when Rockfort Limited (now a subsidiary of the Company) was established by Roger Smee, the Company's chairman and managing director.

In 1980, development activities were extended to a number of towns in the Thames Valley and the first residential development was undertaken.

As the Group's development programme grew, it became clear that additional financial resources would be needed to sustain its growth.

Business

Rockfort is engaged in a broad range of property development. The Group develops both commercial property, principally for sale to institutional investors...

The Group's strength lies in the expertise of its management team in identifying and assembling sites with development potential...

- negotiating purchase terms;
— negotiating planning consents, which are normally a condition of purchase;
— securing development finance;
— the project management of construction...

Rockfort's development activities are primarily undertaken through its two principal subsidiaries: Rockfort Land, which undertakes office, retail and industrial developments...

Rockfort's developments are primarily located in central London and provincial towns in south-east England including, in particular, towns in the Thames Valley.

The Directors believe that Rockfort is able to derive substantial benefit from its combination of commercial and residential development expertise, which enables it to put forward competitive proposals to increase the profit potential of sites.

The diversity of the Group's completed commercial developments demonstrates that Rockfort has the versatility to meet market demands as they vary both geographically and between the office, retail and industrial sectors.

To date, Rockfort has retained two completed developments for investment purposes. Following the Offer, the Group will be in a position gradually to increase its investment portfolio.

Rockfort Land

Rockfort Land currently has a development programme of eleven projects. Roger Smee, Rockfort Land's managing director, has been primarily responsible for building up the programme to its present level.

Development strategy

Rockfort Land's strategy is to identify areas where increasing demand for a particular type of scheme is anticipated and to target its development programme accordingly.

In the early 1980's, the Group was active in high-tech industrial and office developments in the Thames Valley, whereas in the mid-1980's the emphasis switched mainly to office development in that area and, more recently, in central London.

Development opportunities

Development opportunities are either identified directly by Rockfort's management team or introduced to the Group by a wide range of interested third parties, including property owners, potential occupiers, surveyors and estate agents.

Project management

Rockfort Land assumes responsibility for the management of its development projects. This commences with the appointment of the professional team for detailed design work, following which the development is allocated to one of Rockfort Land's in-house project managers...

Development finance and profit

Rockfort usually finances the acquisition of sites from its own resources. Development finance is then generally sought from institutional investors before major construction work is started...

Upon completion of a project which has been pre-funded, the institution retains the development and Rockfort Land's profit relates to the excess of the development's completed value (determined in accordance with the funding agreement) over its cost (including notional interest on the funds provided).

Responsibility for letting the development will normally remain with Rockfort Land, which seeks to pre-let the building wholly or partly prior to the completion of construction.

Higher returns may be achieved where funds for the completion of the development are provided from the Group's resources and the property is sold to an investor in a completed state; in contrast, pre-funding arrangements reduce both the financial risk to, and the capital outlay required from, the Group.

Although Rockfort Land's policy is to secure development finance and progress a project to completion, it has sold a number of sites outright after obtaining planning consent but prior to the commencement of construction.

The increased financial resources available to the Group following the Offer will enhance its ability to secure development opportunities and accordingly to increase the size of its development programme.

Over the years, Rockfort has built up relationships with both potential tenants and institutional property investors. For recent major projects, finance has been obtained from such institutions as Norwich Union, Postal Pension Fund, Cadbury Schweppes Pension Trust, TSB Investment Trust, The Scottish Provident Institution and Electricity Supply Nominees.

Completed developments

Since 1983, the Group has completed and sold 27 commercial developments totalling 470,000 sq. ft. Of these, nine were office schemes (totalling 100,000 sq. ft.), eight were retail schemes (totalling 64,000 sq. ft.) and ten were industrial buildings incorporating offices (totalling 308,000 sq. ft.).

Completed developments with a capital value on completion or sale in excess of £1 million comprise:

Table with 6 columns: Office/Retail/Industrial, Date of completion, Size (sq. ft.), Capital value (£ millions), Principal tenants, and Sold to. Lists various properties like Highlands House, Avco House, and Lovelace Road.

Current developments

Rockfort is currently undertaking development work on eight sites to provide a total of 232,000 sq. ft. of office and retail space.

Offices

42-50 Leman Street, London E1. Rockfort acquired this site in January 1988. Although the site already had the benefit of a planning consent for 23,300 sq. ft. of office space, Rockfort submitted a revised application to increase the size of the development to 28,500 sq. ft. by adding a floor.

18-20 St Andrew Street, London EC4

Following exchange of contracts for the acquisition of this City site in September 1985, Rockfort obtained planning consent to provide 51,250 sq. ft. of office space. The scheme was sold in April 1986 to Norwich Union Fire Insurance Society with Rockfort Land retained as project managers.

9-27 Greyfriars Road, Reading

This site was acquired by Rockfort in June 1987. Rockfort subsequently obtained detailed planning consent to provide a four-storey 37,500 sq. ft. office building with on-site car parking.

135-137 Aldersgate Street, London EC1

This scheme involves the construction of a new building to provide 16,500 sq. ft. of office space on five floors directly over Barbican underground station, together with two small retail units.

Castlefield Court, 48-52 Church Street, Feigate

Rockfort is developing a former garage site and adjoining listed property, close to the High Street, to provide a courtyard development of four office buildings with a combined floor area of 10,600 sq. ft.

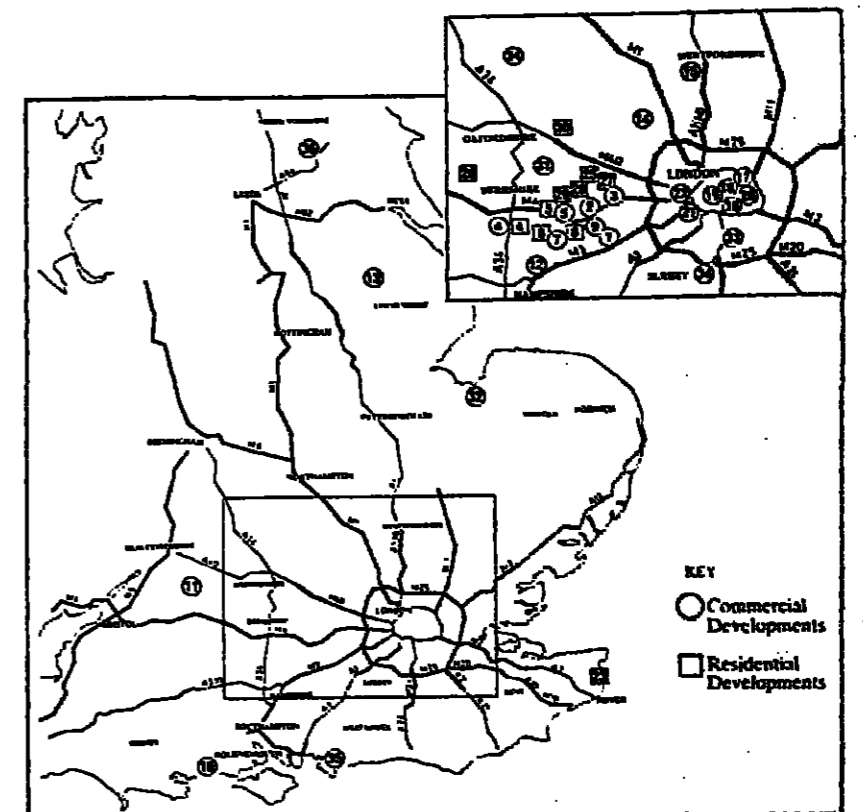


Table listing locations of developments with 3 columns: Location, Commercial Developments, and Residential Developments. Lists locations like Barking, Harlow, and various parts of London.

Retail

22-24 Stonegate and the Stonegate Arcade, York

Rockfort acquired this existing shopping arcade and three listed units with offices above in May 1988. It intends to refurbish the property as a speciality shopping centre of 22 units totalling 17,500 sq. ft.

Rose Kiln Lane, Reading

This 11 acre site was originally planned to be a high-tech development. However, Rockfort considered that the development would have greater value as a mixed residential and retail scheme.

15/16 High Street, Banbury

This site was acquired by Rockfort in March 1988. Work on site has commenced to refurbish the existing building to provide 2,600 sq. ft. of retail space in two units.

Future developments

Future developments are those in respect of which Rockfort has purchased or agreed to purchase a development site, but where development work on site has not yet commenced.

21-27 Tabernacle Street and 6 Epworth Street, London EC2

This property is to be redeveloped to provide 12,700 sq. ft. of offices, together with a public house behind an existing listed facade.

31-53 The Green, West Drayton

Rockfort has recently acquired this development site, and an application for planning consent for 20,700 sq. ft. of offices around a courtyard has been approved.

Kingsway Hall, Great Queen Street, London WC2

Rockfort has recently acquired this development site of 17,000 sq. ft. gross on which a disused theatre currently stands.

Possible future developments

In addition to the developments described above, Rockfort is actively pursuing a number of opportunities for office development in Basildon, Reading and central London and for retail development in Reading and Feigate.

Rockfort Homes

Rockfort has been involved in residential property development since the early 1980's. In 1986, the Group decided to expand this side of its business significantly. In November 1986, Colin Brooks, who had been engaged by Rockfort Homes since 1981 either as a consultant or as a part-time executive director, was appointed to the board of Rockfort as managing director of Rockfort Homes on a full-time executive basis. Approximately 15 per cent. of the Group's gross profit in 1987 arose from residential development and this proportion is expected to increase over the next few years.

Rockfort Homes has specialised in schemes involving town centre regeneration. The majority of Rockfort Homes' current developments are located in the Thames Valley, with eight new sites acquired in the last year situated within a 20 mile radius of Reading. Rockfort Homes is now targeting a number of new locations for detailed consideration both locally and further afield, including sites in Kent close to the Channel Tunnel which Rockfort has identified as an area for significant future growth.

Site acquisition

Rockfort Homes seeks to acquire sites with, or conditionally upon, outline planning consents or through the acquisition of options which may be exercised when outline planning consents are obtained. Sites also become available to Rockfort Homes through the identification by the Group of mixed commercial and residential development opportunities.

The Directors believe that the acquisition of options makes the best use of the Group's financial resources. Rockfort's ability to acquire options or to purchase sites under conditional contracts rests on its reputation for achieving planning consents, and this method of acquisition is adopted wherever possible. Over the past 12 months, Rockfort Homes has achieved planning consent for over 400 units and it currently has land under option or conditional contract which is expected to provide approximately 50 further units. The proceeds of the Offer will be used in part to acquire sites, in particular by the exercise of existing options and acquisition of new options, to facilitate the continued expansion of Rockfort Homes.

The eight sites for current and future residential development listed below in this Part I (excluding the joint venture at Swallowfield) were acquired at a cost of £3.7 million and the Group had spent £1.3 million on them by 30th April 1988. At that date, they had a total capital value in their existing state of £15.9 million.

Design and construction

In general, the policy of Rockfort Homes is to concentrate on the lower-priced end of the housing market with the construction of one and two bedroom homes. In order to increase the market appeal of such homes, the Group has decided to reflect the current interest in leisure pursuits in its future designs. It is intended that, where possible, community facilities such as swimming pools, gymnasiums or community rooms for the use of residents will be incorporated as part of the overall scheme. Rockfort Homes is also involved in the development of sheltered homes for the elderly.

Whilst the majority of construction work in recent years has been undertaken by main contractors, the appointment of a construction director and on-site project managers has provided Rockfort Homes with the ability to control the construction process directly by the management of a team of independent sub-contractors. This approach will permit greater flexibility in making changes or refinements to specifications or the rate of construction in response to consumer demand or competitive pressures.

Marketing

During 1987, Rockfort Homes acquired an estate agency based in Reading. This agency fulfils the function of providing market awareness and a market research facility for Rockfort Homes. The acquisition also provides Rockfort Homes with its own sales team and enables it to exercise more direct control over its sales programme. Rockfort Homes will, however, continue to use other estate agents where appropriate, both within the Reading area and further afield.

Completed developments

To date, Rockfort Homes has completed and sold in excess of 200 units on seven sites within a 20 mile radius of Reading. These have ranged from one bedroom homes to retirement housing schemes and from town centre flats to rural "executive" houses.

Completed developments with a total sales value in excess of £0.5 million comprise:

Site	Date of completion	Number of units	Sales value (£ million)
Laurence Court, Dean Street, Marlow	July 1982	24	0.87
St Paul's Court, Berkeley Avenue, Reading	August 1983	58	1.39
Kennytowns Park, Essex Way, Sonning Common	September 1985	42	2.12
Sibley Park, Earley	October 1987	62	4.89
The Mallards, Great Shefford	April 1988	8	1.18

Current developments

Rockfort Homes currently has seven residential sites under construction which will together provide over 300 units.

The Rockfort Village, Rose Kiln Lane, Reading

Rockfort Homes acquired this residential site of approximately 5.5 acres, which is located close to Reading town centre, in October 1987. It forms part of the site originally planned by Rockfort for a high-tech development, as described above. Demolition of the original industrial buildings is now complete and groundworks have commenced to provide 148 two bedroom flats together with 3 three bedroom houses. It is anticipated that a marketing campaign will commence in July 1988 and that the development will be completed in December 1989. This development represents Rockfort's first opportunity to implement its policy of creating a community atmosphere by the inclusion of a swimming pool and community room facilities for the benefit of residents.

Victoria Court, Reading Road, Henley-on-Thames

This site is located in Henley town centre and was acquired by Rockfort Homes in February of this year. Demolition of the former garage is now complete and construction has commenced, with 35 sheltered flats and bungalows expected to be completed by June 1989. An initial marketing campaign has revealed substantial demand.

Stratheden Place, Thorn Walk, Reading

This courtyard development, which has detailed planning permission, subject to a planning agreement, for 44 two bedroom flats, is being constructed on a former industrial site close to Reading town centre. Twenty-five units have been sold and will be ready for occupation from July of this year. All construction work is expected to be finished by January 1989.

Montrose House, Stanshawe Road, Reading

This site in the centre of Reading was formerly an ironmonger's yard and is part of the site acquired by Rockfort Land for the office development currently under construction in Greysfriars Road, which is described above. Rockfort Homes has planning permission to build 20 studio, one and two bedroom flats, which are expected to be completed by November 1988. Marketing is expected to commence in August 1988.

Fox Glades, Moor End Lane, Thame

This site is situated in the centre of Thame and was acquired by Rockfort Homes in July 1987. The demolition of the old abattoir is now complete and construction work has commenced. Rockfort Homes has detailed planning permission for the construction of 19 units, comprising a mixture of two and three bedroom houses and flats. Marketing is expected to commence in July 1988, with the first property expected to be completed in December 1988 and the development finished in May 1989.

Fisher's Court, 229-230 Pappard Road, Emmer Green, Reading

This sheltered housing development is located on the outskirts of Reading. Rockfort Homes acquired the freehold of the site, a former builder's yard, in March of this year and commenced demolition work almost immediately. Detailed planning permission has been granted. Subject to a planning agreement, for the construction of 16 one and two bedroom sheltered flats which are expected to be completed in June 1989. A marketing campaign is expected to commence in July 1988.

Foxborough, Trowes Lane, Swallowfield, near Reading

This site has detailed planning permission for 20 detached four bedroom houses and is situated close to the village centre. The site was sold to Cavendish Constructors plc under a joint venture agreement which provides that Rockfort Homes undertake the project management for an agreed fee and two-thirds of the development profit. Construction has begun and marketing has recently commenced.

Future developments

These are properties which Rockfort has acquired but where work on site has not yet commenced.

The Grange, Northfield Avenue, Shipkale, near Henley-on-Thames

This site, which was acquired in May 1988, is located close to the River Thames and has outline planning consent for 16 four bedroom detached houses. Detailed planning consent is now being sought. It is hoped that construction will commence in January 1989 and that the first unit will be completed in September 1989.

Golf Road, Deal, Kent

This site is located less than a mile from Deal town centre. Detailed planning permission has been obtained for 113 units comprising a mixture of one, two and three bedroom houses and one bedroom flats. It is expected that construction work will commence shortly and that the first units will be completed in January 1989.

Properties held under option

In addition to the developments described above, Rockfort Homes has options on property at Farringdon Road, Kingston Bagpuize and four other sites near Reading.

Directors and senior management

Directors

Roger Smee, aged 39, is the chairman and managing director of the Company. He qualified as a quantity surveyor in 1974 and then worked for a company engaged in house building, later gaining experience of project management, especially in the Middle East. He established Rockfort Limited in 1976 to specialise in commercial property development and has been involved full time in the expansion of the Group to its present position. He is also managing director of Rockfort Land and as such retains overall responsibility for Rockfort's commercial development programme. Roger Smee has been chairman of The Reading Football Club PLC since 1983.

Michael Toh, FCA, aged 38, is the finance director and secretary of the Company. After qualifying as a chartered accountant in 1972, he joined Coopers & Lybrand, leaving in 1975 to join a London-based practice now known as Chantrey Wood King, where he became a tax partner in 1978 and established that firm's Reading office. He joined Rockfort as an executive director in 1981.

Colin Brooks, aged 44, is managing director of Rockfort Homes, having previously been a director of Scotchbrooks Limited, an estate agency centred on Reading. He was appointed a part-time executive director of Rockfort Homes in 1981, but due to the growth of Scotchbrooks resigned as director in 1984 to devote more time to the agency, while retaining close contacts with the Group. Following the sale of Scotchbrooks to Prudential Property Services Limited, he joined Rockfort as an executive director in November 1986.

Martin Mays-Smith, BA, FCIB, aged 57, was appointed a non-executive director of the Company in May 1988. He is currently a director of Kleinwort Benson Lonsdale plc and of Kleinwort Benson, where he was head of the Banking Division from 1984 until earlier this year. He is also a director of Empire Stores (Bafford) plc and First National Finance Corporation plc and has recently been appointed vice-president of The London Life Association Limited. Before joining Kleinwort Benson in 1972, he was a managing director of National & Grindlays Bank. Prior to that he worked at the Bank of England for nine years and at Barclays Bank for six years, where he was a local director.

Consultant

Andrew Huntley, FRICS, aged 49, is Chairman of Richard Ellis Financial Services Limited and Senior Partner in the City office of Richard Ellis, Chartered Surveyors. He has been a director of the Company or consultant to the Group since 1986 and attends the Company's board meetings.

Directors of principal subsidiaries

Henry Lyons, aged 38, is an executive director of Rockfort Land and joined Rockfort in December 1986. Prior to that, he was for three years Managing Director of NFC Properties Limited, a property trading development company within the National Freight Consortium PLC. Until May 1988, Henry Lyons was a director of the Company and managing director of Rockfort Land. Civil proceedings involving him personally have recently been commenced in the United States of America arising out of a property transaction entered into by him in that country before he joined Rockfort. Henry Lyons decided that it was inappropriate in the circumstances to continue as a director of the Company and managing director of Rockfort Land. The outcome of the litigation, is unlikely to be known for some time and it is his intention that it be vigorously defended.

Keth Libby, aged 42, is construction director for Rockfort Homes. He trained as a quantity surveyor with Costain Group PLC and later joined the then newly formed Costain Homes Limited as a management trainee. In 1979, he was appointed a director of Hunting Gate Construction Limited. He joined Rockfort in 1987 from Fairview New Homes PLC, where he was construction manager and assistant to the construction director.

Senior management

Brian Cook, FCA, aged 39, qualified as a Chartered Accountant in 1972 and worked in private practice before joining Rockfort in 1982 as Group accountant.

David Entwistle, BSc, MCIOB, aged 35, is external contracts manager for Rockfort Homes. He joined Rockfort in 1987 and was previously contracts manager with Try Build Limited.

Hugo Haig, aged 26, is land buyer for Rockfort Homes and joined Rockfort in 1987. He was previously employed in the land buying department of Fairclough Homes Limited.

Robin Halby, aged 46, is an associate director and project manager for Rockfort Land. He joined Rockfort in 1981 and was previously an associate partner with Gibson Eley, Surveyors.

James Mainwaring, aged 43, is a project manager for Rockfort Land. He has been with the Group since 1978, and was previously with Lesser Land Limited as a development surveyor.

James Tibbles, aged 30, is a development surveyor for Rockfort Land. He joined Rockfort in 1987 from Heron Property Corporation Limited, where he held a similar position. Prior to that he was with Donaldsons, Chartered Surveyors.

David Trooler, BSc, FRICS, aged 35, is an associate director of Rockfort Project Management Services Limited. He joined Rockfort in 1982 and was previously with John Laing Construction Limited, where he held the position of senior project quantity surveyor.

Rockfort currently has a total of 50 employees including executive Directors. Up to a total of 100,000 Ordinary Shares will be reserved in the first instance to meet applications on preferential forms from full-time employees of Rockfort other than Directors. No Director will be applying for Ordinary Shares in the Offer. Further details relating to preferential applications are set out in paragraph 8 in Part V below. Options over a total of 901,416 Ordinary Shares have been granted at the Offer Price to Directors and senior management under the provisions of the Rockfort Group PLC 1986 Executive Share Option Scheme.

Financial record

Rockfort's consolidated results for the five years ended 31st December 1987, which have been extracted from the Accountants' report in Part III of this document, are summarised below:-

	Year ended 31st December				
	1983	1984	1985	1986	1987
	£000	£000	£000	£000	£000
Turnover	13,117	12,490	12,911	14,261	23,261
Profit before taxation ..	1,082	26	90	664	2,676
Taxation	(186)	(51)	(115)	(246)	(1,082)
Profit/(loss) after taxation	876	(25)	(25)	418	1,594
Extraordinary items	—	(165)	(75)	140	—
Profit/(loss) attributable to shareholders	876	(211)	(100)	558	1,594
Earnings per Ordinary Share (p)	2.2	(0.1)	(0.1)	1.5	5.6

Note:
Further details relating to the financial records, including a breakdown of turnover and gross profit between commercial and residential developments and construction-related activities, are set out in the Accountants' report in Part III of this document.

Prior to 1984, Rockfort operated as a combined property developer and building contractor based in the Reading area. The acquisition in 1979 of the business of McCarthy E. Fitt Limited, a well known local construction firm, enhanced the stature of the Group through its ability to offer construction as well as development services and was a significant factor in enabling the Group to win development opportunities. It also gave the Group its own direct access to technical expertise in construction.

As the Group's portfolio of developments grew, both in number and size of projects, it became clear that the Group could increase its development activities more rapidly than its construction subsidiary; accordingly the relative importance of that subsidiary diminished. McCarthy Fitt had become increasingly demanding of the management and financial resources available at the time, particularly following a loss made in 1983. This resulted in a loss in momentum of the development programme and consequently depressed Group profits in 1984 and 1985. In addition, profits were adversely affected by a number of problems relating to McCarthy Fitt's performance as a construction contractor, particularly in respect of the Group's own development programme, and in May 1984 it was sold.

Since 1985, following the decision to concentrate on its core business of property development and with the benefit of its increased financial resources through Kleinwort Benson Investment Trust Limited acquiring an equity interest and Kleinwort Benson making development finance facilities available, the Group has grown strongly.

The nature of Rockfort's business and, in particular, the size and timing of the profit arising from individual developments are such that one or two transactions have accounted for a significant proportion of the Group's gross profit in a particular year. Examples include Phases I and II of Lovelace Road, Bracknell, and Avco House, Reading in 1983; 43/44 High Street, King's Lynn and Meadow Road, Cirencester in 1984; Maylands Avenue, Hemel Hempstead and Micham Road, Croydon in 1985; St Benedict's Square, Lincoln and Phase III of Lovelace Road, Bracknell in 1986 and Thorn Walk, Reading and the grant of an option to purchase Kern House, Lincoln's Inn Fields in 1987. In 1988, St. Andrew Street, London ECA and the sale of Kern House are together expected to account for approximately 70 per cent. of the Group's gross profit.

Profit forecast

On the bases and assumptions set out in 'Information relating to the profit forecast and estimate of pro forma net tangible assets' in Part IV below, the Directors forecast that, in the absence of unforeseen circumstances, the profit before taxation of the Group for the year ending 31st December 1988 will not be less than £3.40 million. The forecast profit includes an estimate of profit before taxation of £3.60 million for the four months ended 30th April 1988, based on the unaudited management accounts for that period. The profit forecast also includes, for the period from 11th July to 31st December 1988, the benefit arising from use of £18.66 million being the estimated net proceeds of the Offer receivable by the Company.

After an estimated tax charge of £2.94 million, representing an effective tax rate of 35 per cent., earnings are forecast to be £5.48 million or 15.4p per Ordinary Share (based on a weighted average of the number of Ordinary Shares in issue during the year of 35,443,000, after taking account of the reorganisation of the share capital and the issue of Ordinary Shares in connection with the Offer).

Dividends

If the Ordinary Shares had been listed on The Stock Exchange for the whole of the year ending 31st December 1988, the Directors would have expected on the basis of the above profit forecast to recommend net dividends totalling 3.9p per Ordinary Share (5.2p gross) in respect of that year. These dividends would have been paid as to 1.3p as an interim dividend and as to 2.6p as a final dividend. On this basis, the gross dividend yield at the Offer Price would have been 3.7 per cent. and the net dividend would have been covered 3.95 times by forecast earnings per Ordinary Share.

The Ordinary Shares now being offered for sale or subscription will rank in full for all dividends and other distributions hereafter declared, paid or made. It is intended that the first dividend payable by the Company will be a final dividend of 2.6p per Ordinary Share (3.5p gross) in respect of the year ending 31st December 1988, payable in May 1989. Thereafter, it is expected that interim dividends will be payable in November and final dividends in May in each year.

Estimate of pro forma net tangible assets

The pro forma net tangible assets of the Group at 30th April 1988, as adjusted for the estimated net proceeds of the Offer receivable by the Company of £18.66 million, have been estimated by the Directors at £25.80 million, representing 80.0p per Ordinary Share in issue following the Offer. This estimate is based on the net tangible assets at 31st December 1987 of £4.35 million as shown in the Accountants' report in Part III below; the estimate of profit after tax (assuming a 35 per cent. tax charge) for the four months ended 30th April 1988 of £2.34 million; and the uplift of £0.45 million arising from the revaluation as at 30th April 1988 of properties held as investments or occupied by the Group based on the Property valuers' report in Part II below.

Reasons for the Offer

The Directors consider that the listing of the Company's share capital on The Stock Exchange will enhance Rockfort's status as a property development group. Further, the Directors believe that currently there are significant opportunities for the expansion of all the Group's development activities and that the listing will:

- enhance the Group's ability to secure new development opportunities both for Rockfort Land and for Rockfort Homes;
- provide capital which will allow greater flexibility in the financing of the Group's developments;
- enable Rockfort to attract high calibre employees able to contribute to the continued growth of the Group; and
- allow Rockfort to build up its asset base by the retention of selected property investments.

The Ordinary Shares being offered include 3,349,900 Ordinary Shares being sold by the existing shareholders of the Company. The remaining 14,252,430 Ordinary Shares will, after deducting the estimated expenses of the Offer, raise approximately £18.66 million of new capital for the Group.

Following the Offer, Roger Smee and family trusts connected with him will own 18,091,870 Ordinary Shares and Kleinwort Benson Investment Trust Limited will own 4,960,980 Ordinary Shares, representing 42.1 per cent. and 11.5 per cent. respectively of the enlarged issued share capital of the Company. All the existing shareholders have undertaken that, following the Offer, they will not (other than in certain limited circumstances) dispose of any part of their holdings at any time before the publication of the preliminary announcement of Rockfort's results for the year ending 31st December 1988. Roger Smee has established a charitable trust known as The Smee Foundation and on expiry of this restriction he intends to transfer approximately 280,000 Ordinary Shares to the trustees of the Foundation.

Prospects

Rockfort has a substantial current development programme of commercial and residential projects. Following the Offer, it will have considerable financial resources to develop its business. Rockfort has an experienced management team able to develop the Company's corporate strategy, maintain strict financial controls and exploit its entrepreneurial skills. The Directors therefore view the future with confidence and believe that Rockfort is in a strong position to carry out its plans for continued growth.

ROCKFORT

PART II Property valuers' report

The following is a copy of a report received from Jones Lang Wootton, Chartered Surveyors:

The Directors
Rockfort Group PLC
Hurst Grove
Reading RG10 0SQ

The Directors
Kleinwort Benson Limited
20 Fenchurch Street
London EC3P 3DR



22 Hanover Square
London W1A 2SN

24th June 1988

Dear Sirs,

Rockfort Group PLC

In accordance with your instructions, we have prepared the following advice in respect of the interests of Rockfort Group PLC (the "Company") and its subsidiaries (together "the Group") in the properties listed in the Schedules set out below:

- We have valued, as at 30th April 1988, the various freehold and leasehold interests described in Schedules A, B, C, D, E and F.
- We have assessed the anticipated realisable surplus which will be derived by the Group from developments currently in hand, or proposed, at the properties listed in Schedule G. The Group holds no legal estate in the land in respect of those properties but, by virtue of the managed contracts and joint ventures described in Schedule G, the Group may expect financial benefit or detriment to arise directly or indirectly from its involvement as developer, whether solely or jointly, or as project manager.
- We have assessed those properties listed in Schedule H, which are under contract for purchase by the Group to confirm that, in our opinion, they are being purchased at fair open market prices.

In each case we have carried out inspections, made relevant local inquiries and obtained such further information as we consider necessary for the purpose of preparing this report. Our valuations have been made in accordance with the Guidance Notes prepared by the Assets Valuations Standards Committee of the Royal Institution of Chartered Surveyors, on the basis of open market values.

No allowances have been made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. We have considered each interest as if free and clear of all mortgages or other charges which may be secured thereon.

We have not read any original documents of title or leases and, in giving our advice, have accepted the details of tenure, tenancies, planning consents and all other relevant information with which we have been supplied by the officers of the Group and its other professional advisers. We have had regard to such relevant information as is contained within the Certificates of Title prepared by solicitors to the Group. We have considered the provisions of the various managed contracts and joint venture agreements relating to the properties in Schedule G, and have had regard to the reports prepared by solicitors to the Group in respect of them.

We have assumed that the properties are free of encumbrances, restrictions or other outgoings of an onerous nature which would affect their value, other than those which have been indicated in the Certificates of Title referred to above. We have not seen original planning consents, but have assumed, following confirmation from the Directors of the Company, that the properties have been erected in accordance with such consents. We have also assumed, following confirmation from the Directors of the Company that the Group has received no notices to the contrary, that the properties are being occupied and used in accordance with such planning consents and that there are no outstanding statutory notices.

We were not instructed to carry out structural or soil surveys of any of the existing buildings or sites forming parts of the various properties, but we have reflected any apparent wants of repair in our advice and valuations where appropriate. Our advice and valuations have been prepared on the basis of the assurance by the Directors of the Company that, to the best of their knowledge, no known deleterious materials or techniques have been or are being used in the construction of the subject buildings.

We are of the opinion that the aggregates of the open market values, as at 30th April 1988, of the interests currently held by the Group in the properties listed in Schedules A to F inclusive were:

Description	Freehold	Leasehold
A. Properties held as investments	1,050,050	—
B. Properties being developed (commercial)	835,000	—
C. Land in course of residential development for resale	11,886,000	—
D. Properties held for development in the future (commercial)	13,516,500	—
E. Properties held for development in the future (residential)	4,265,000	—
F. Properties occupied primarily by the Group	2,500,000	52,500
	34,262,550	52,500
	TOTAL	£34,315,050

- G. We calculate that the anticipated surplus to be derived by the Group from the managed contracts and joint ventures listed in Schedule G, with surpluses anticipated between October 1988 and October 1989, calculated on values as at 30th April 1988, will be:

£7,267,000

- H. We are of the opinion that the properties under contract for purchase and listed in Schedule H are being purchased at fair open market prices totalling:

£5,050,000

Finally, and in accordance with our normal practice, this advice is for the use only of the parties to whom it is addressed and their other professional advisers for the specific purpose of the listing particulars to be issued by the Company and dated 24th June 1988 and those who are from time to time shareholders of the Company, and no responsibility whatsoever is accepted to any other third party.

Yours faithfully,

Jones Lang Wootton

Chartered Surveyors

Schedules

The addresses of the various properties concerned, together with the nature of the interest held by the Group, are as follows:

A. PROPERTIES HELD AS INVESTMENTS

Property	Description, age and tenure	Terms of existing tenancies	Estimated current net annual rents receivable	Present capital value in existing state
788-794 Oxford Road, Reading, Berkshire	A three storey building totalling 8,800 sq. ft., used for motor vehicle sales and servicing on lower ground and ground floor with self-contained offices on first floor. There is surfaced car parking for about 30 vehicles on the remainder of the site, which extends in total to about 0.4 acres. Built in 1979. Freehold.	The entire property is let to Kennet Motors of Reading Limited for a term of 25 years expiring in June 2005 on a full repairing and insuring basis with five yearly rent reviews, at a current rent of £47,500 per annum.	47,500	625,000
Units 1-4 Rockfort Industrial Estate, Hithercroft Road, Wallingford, Oxon	A terrace of four single storey light industrial units providing a total of approximately 9,800 sq. ft. Built in 1982/83. Freehold.	Let to four tenants on separate full repairing and insuring leases, three for 25 years commencing 25th March 1983 and one for 20 years 6 months from 25th December 1986, with 5 yearly rent reviews. The current rents total £32,400 per annum.	32,400	425,000
667-689 Mitcham Road, Croydon, Surrey	Two single storey industrial units of 14,015 sq. ft. and 26,915 sq. ft. with two storey offices. Built in 1983. Freehold.	Let to Sun Life Assurance Company of Canada for 999 years from 21st January 1986 at a peppercorn rent and on full repairing and insuring terms. By a separate agreement the tenant has the option to purchase the freehold for £350, exercisable for one year from 21st January 2012.	0	50
			79,900	1,050,000

B. PROPERTIES BEING DEVELOPED (COMMERCIAL)

Property	Description, age and tenure	Tenancies in existing state	Present capital value	Estimated completion and occupation dates	Estimated cost of completing development	Estimated net annual rental before tax	Capital value when completed	Capital value when completed and let
15%-16 High Street, Banbury, Oxon	Two terraced shop premises arranged on basement, ground and two upper floors. Currently under alteration to provide two shop units of 525 sq. ft. and 2,051 sq. ft. on ground floor. No. 16, the larger unit, will be provided with storage and staff accommodation, totalling 1,404 sq. ft., on the upper two floors over both units. Built approximately 1900. Freehold.	None.	835,000	Completion due August 1988. Occupation due by December 1988.	196,400	64,150	1,200,000	1,250,000
			835,000		196,400			1,250,000

C. LAND IN COURSE OF RESIDENTIAL DEVELOPMENT FOR RESALE

Property	Description, age and tenure	Capital value in existing state
The Rockfort Village, Rose Kiln Lane, Reading, Berkshire	A residential development site extending to about 5.5 acres with a resolution for outline planning consent, approved on 28th September 1987, for 151 residential units subject to the conclusion of an agreement under section 52 of The Town and Country Planning Act 1971 as amended ("section 52 agreement"). Construction has commenced on the infrastructure. Freehold.	5,300,000
Victoria Court, Reading Road, Henley-on-Thames, Oxon	A residential development site of approximately 1.38 acres with detailed planning consent, dated 7th January 1988, for 35 sheltered flats and houses. Demolition has been completed and site works have commenced. Freehold.	2,200,000
Stratheden Place, Thom Walk, Reading, Berkshire	A residential development site of approximately 1.31 acres with detailed planning consent, dated 2nd September 1987, for 44 two bedroom flats subject to a section 52 agreement. The development is currently in the course of construction. Freehold.	1,820,000
Montrose House, Stanshawe Road, Reading, Berkshire	A central Reading residential development site of approximately 0.15 acres currently under construction for 20 one and two bedroom flats with planning consent dated 8th October 1987. The development will comprise two separate buildings one containing 18 flats on ground and four upper floors, the other two flats on ground and first floors, together with on-site car parking. The property is adjacent to an office development, also under construction by the Group. A section 52 agreement requires the residential development to be completed prior to occupation of the adjoining office building. Freehold.	820,000
Fox Glades, Moor End Lane, Thame, Oxon	A level cleared site of approximately 0.9 acres close to the town centre in an area of mixed uses. Planning consent has been approved for 18 residential units ranging from two bedroom flats to three bedroom detached houses and notice of the planning consent is awaited. Freehold.	900,000
Fisher's Court, 223-229 Peppard Road, Emmer Green, Reading, Berkshire	A residential development site of approximately 0.47 acres with detailed planning consent, dated 30th March 1988, for 16 sheltered flats subject to a section 52 agreement. Demolition on site has commenced. Freehold.	650,000
Patrizio, Basingstoke Road, Risley, Nr Reading, Berkshire	A residential development site comprising approximately 0.34 acres with detailed planning consent, dated 10th June 1987, for 2 four bedroom detached houses with garage. Construction is complete. Freehold.	500,000
Kennylands Park, Essex Way, Soring Common, Reading, Berkshire	A completed development of sixteen flats contained within 4 two storey brick built residential blocks, situated on an existing residential estate. Built in 1965. Freehold; all flats are let on leases of 99 years from 1st January 1985 on full repairing and insuring terms. The ground rents total £800 per annum rising to £1,600 per annum in 2016 and £3,200 per annum in 2051, and the freehold interest is being held for resale.	6,000
		11,886,000

D. PROPERTIES HELD FOR DEVELOPMENT IN THE FUTURE (COMMERCIAL)

Property	Description, age and tenure	Terms of existing tenant's leases	Estimated current net annual rents receivable	Capital value in existing state
22-24 Stonegate and the Stonegate Arcade, York, North Yorkshire	A modern shopping precinct, comprising 19 small units arranged around an arcade which runs between Stonegate and Blake Street. There are two entrances off Stonegate and one off Blake Street. In addition, there are two adjoining Grade II listed shop units at nos. 22 & 24 Stonegate and a further Grade II listed shop unit at no. 11 Blake Street, with office accommodation above on three upper floors. The retail accommodation totals approximately 9,500 sq. ft., with a further 7,900 sq. ft. of offices and storage. The precinct was built in 1981. Freehold.	Units 1, 2, 9 and 12 are let for terms of 25 years at current rents totalling £33,000 per annum on full repairing and insuring terms with five yearly rent reviews. Units 3 and 12 have 1985/1986 rent reviews outstanding. 24 Stonegate is subject to a tenancy agreement which expires on 18th July 1988, at a rent of £3,000 per month. The remainder of the accommodation is held vacant.	63,000	8,396,900
42-50 Leman Street, London E1	A cleared office development site of approximately 9,000 sq. ft. gross, with detailed approval, subject to conclusion of a section 52 agreement, for 23,000 sq. ft. of offices and planning approval in principle, subject to conclusion of a section 52 agreement, for an additional 2,200 sq. ft. of offices. Freehold.	None	0	5,750,000
Kingsway Hall, Great Queen Street, London WC2	A disused theatre located in central London occupying a site of approximately 17,000 sq. ft. gross. Freehold.	Part of the basement is let to London Borough of Camden for 999 years from 2nd June 1988. The tenant has an internal repairing obligation only but contributes to expenditure on the main structure of the building. The rent is a peppercorn if demanded.	0	1,500,000
			63,000	13,618,300

E. PROPERTIES HELD FOR DEVELOPMENT IN THE FUTURE (RESIDENTIAL)

Property	Description, age and tenure	Capital value in existing state
The Grange, Northfield Avenue, Simpsdon, Nr. Henley-on-Thames, Oxon	A residential development site of approximately 3.83 acres with outline planning consent, granted on appeal and dated 30th March 1983, for 18 four bedroom houses. Freehold.	2,600,000
Golf Road, Deal, Kent	A residential development site of approximately 5.6 acres with detailed planning consent, dated 29th April 1988, for 65 one, two and three bedroom houses and 48 one bedroom flats. Freehold.	1,800,000
Kennylands Park, Peppard Road, Soring Common, Nr. Reading, Berkshire	An undeveloped site of approximately 15 acres of open parkland. Freehold.	65,000
		4,265,000

F. PROPERTIES OCCUPIED PRIMARILY BY THE GROUP

Property	Description, age and tenure	Capital value in existing state
Hurst Grove, Sandford Lane, Hurst, Reading, Berkshire	A distinctive country house which has been recently restored and extended to provide a total of 9,110 sq. ft. of offices on ground and first floors. The house is situated in parkland extending to approximately 37 acres. A disused stable block of some 1,800 sq. ft. gross adjoins the main house, and has planning consent for a change of use to provide ancillary residential accommodation. The main house is listed Grade II. Built in the 18th century, and extended in 1988. Freehold.	2,500,000
15 Hay's Mews, London W1	A period terraced house on basement, ground and four upper floors currently arranged as offices with a self-contained flat on the fourth floor. Built in the early 19th century. Leasehold, held under an assignment of a lease for a term of 20 years from December 1976 at a current rent of £35,000 per annum, on full repairing and insuring terms with five yearly rent reviews.	50,000
105 London Street, Reading, Berkshire	A terraced property comprising a small ground floor lock-up shop with first floor offices, having a total floor area of approximately 1,160 sq. ft. The property has planning consent for office use with an estate agency on the ground floor. Built in the late 19th century. Leasehold, held for a term of 20 years from 24th June 1977 at a current rent of £10,250 p.a., on full repairing and insuring terms with five yearly rent reviews.	2,500
		2,552,500

G. MANAGED CONTRACTS AND JOINT VENTURES

Property	Nature of interest	Description of project and planning status	Potential surplus on completion and expected date of receipt
18-20 St. Andrew Street, London EC4	The Group has entered into a project management agreement with the freeholder, Norwich Union Fire Insurance Society, whereby the Group will carry out an office development. Interim development finance is being provided by the freeholder, who will pay a final sum to the Group on satisfactory completion and letting of the scheme, calculated on an agreed multiplier of the net rental income achieved.	The site is currently under development as an office building on basement, ground and eight upper floors to provide a total of 51,250 sq. ft. approximately. An agreement for lease has been concluded with Coopers & Lybrand for the entire building. Planning consent for the scheme was granted on 11th February 1986 and construction is scheduled for completion in August 1988.	£2,787,000 receivable in September 1988
5-27 Greyfriars Road, Reading, Berkshire	The Group has entered into a development contract with the freeholder, Britel Fund Trustees Limited, whereby the Group will carry out an office development. Interim finance is being provided during construction by the freeholder who, on satisfactory completion and letting of the building, will pay a final sum calculated on an agreed multiplier of the net rental income.	The site is currently under development as an office building comprising a total of approximately 37,480 sq. ft. of air-conditioned office space on ground and three upper floors. In addition, some 20 surface car parking spaces are to be provided. Under an agreement for lease dated 29th June 1987, the fund has pre-let the entire building to Coopers & Lybrand for a term of 25 years. The agreed rental level is in excess of the basic rental level set out in the development contract. Detailed planning permission for the scheme was granted on 9th October 1987 and construction commenced on site in September 1987. Completion of the development is anticipated in November 1988.	£1,380,000 receivable in December 1988.

ROCKFORT

Property	Nature of interest	Description of project and planning status	Potential surplus on completion and expected date of receipt	Property	Nature of interest	Description of project and planning status	Potential surplus on completion and expected date of receipt
135-137 Aldergate Street, London EC1	The Group has entered into a building agreement with London Underground Limited, the freeholder, for the construction of a new shop and office development. The Group will occupy the site during construction by way of formal licence and there are no other obligations on both parties to grant and take up a new long lease of the property once completion has been satisfactorily certified. The Group has entered into a development contract with TSS Group Pension Trust Limited which obliges the Group to carry out the agreed scheme. The fund will acquire the long lease either by direct grant, or by assignment from the Group, on completion of the scheme and will provide the necessary development finance up to a predetermined maximum sum. Following completion of the scheme to both the fund's and London Underground's satisfaction, the Group will be entitled to a final sum calculated in accordance with a specified formula based on the level of net rents achieved from approved lettings.	The project will provide a new shop and office development over Barbican Underground Station and will include the construction of various new elements for the station itself. The offices will be on ground and four upper floors and will have a minimum floor area of 16,500 sq.ft. There will be two shop units at ground floor level having a minimum floor area of 400 sq.ft. Construction of the scheme, for which a revised detailed planning consent was granted on 10th November 1987, has commenced with completion scheduled for April 1988.	£215,000 receivable in October 1988	50-54 Caversham Road, Reading, Berkshire	The Group has entered into a development contract with the freeholder, Postland Custodian Trustee Limited, whereby the Group will carry out an office development. Interim finance is being provided during construction by the freeholder who, on satisfactory completion and letting of the building, will pay a final sum calculated on an agreed multiplier of the net rental income achieved.	A completed development comprising a total of approximately 18,120 sq.ft. of air-conditioned office space on ground and two upper floors. In addition, some 15 car parking spaces are provided at basement level. Under an agreement for lease dated 27th April 1988, the fund has pre-let the entire building to Premier Portfolio Limited for a term of 25 years at a rental of £288,120 per annum. The proposed rental is in excess of the base rental level set out in the development contract. Detailed planning permission for the scheme was granted on 17th March 1987 and revised permission granted on 3rd June 1988. Construction commenced on site in January 1987. The development was completed in June 1988. The site, of approximately 2.53 acres, is in the initial stages of development to provide 20 residential dwellings. Detailed planning consent for the scheme was granted on 4th January 1988 and construction started on site in May 1988 with completion scheduled for May 1989.	£250,000 receivable by October 1988
Castlefield Court, 48-62 Church Street, Reigate, Surrey	The Group has entered into a development contract with the freeholder, The Colonial Mutual Life Assurance Society Limited, whereby the Group will carry out an office development on the site. On satisfactory completion and letting of each unit of the development, the freeholder will pay Rockfort a final sum calculated by apportionment of coverage payments, based on various tranches of rental income defined in the contract. There is provision for the buildings to be disposed of at a premium by way of long (999 year) leases, in which case the payments to Rockfort will be calculated by reference to a notional income derived from the premium received.	The site is currently under development as three self-contained office buildings providing approximately 8,900 sq. ft. of non air-conditioned space, together with the conversion of a listed dwelling house to provide an additional 1,700 sq. ft. of office space. A total of 44 car parking spaces are to be provided in addition. The largest unit of 4,700 sq. ft. has been pre-let to Charles Church Developments plc. Detailed planning permission for the new-build units was granted on 30th April 1987, with completion expected in July/August 1988. Detailed planning and listed building consents for the listed building conversion were granted on 7th January 1988, with completion required by 31st March 1989 under the terms of the contract.	£475,000 receivable by March 1988	Fozborough, Troves Lane, Swallowfield, Nr. Reading, Berkshire	The Group has entered into a joint venture agreement with Cavendish Constructors plc, the freeholders, whereby on completion of the residential development the Group is entitled to a final payment of £126,852 (plus interest) and two thirds of any further profit having first allowed for a profit share of £140,000 to be allocated to Cavendish Constructors plc. The Group has entered into an agreement with Lincolnshire Publishing Company Limited and Boots Peripherals Limited to carry out a shopping development. Upon completion of the development, Boots Peripherals Limited are to pay both parties a sum calculated on an agreed multiplier of the net rent achieved. This sum is payable as each unit is let, and is divided equally between the Group and Lincolnshire Publishing Company Limited.	The Group has entered into a development contract with Cavendish Constructors plc, the freeholders, whereby on completion of the residential development the Group is entitled to a final payment of £126,852 (plus interest) and two thirds of any further profit having first allowed for a profit share of £140,000 to be allocated to Cavendish Constructors plc. The Group has entered into an agreement with Lincolnshire Publishing Company Limited and Boots Peripherals Limited to carry out a shopping development. Upon completion of the development, Boots Peripherals Limited are to pay both parties a sum calculated on an agreed multiplier of the net rent achieved. This sum is payable as each unit is let, and is divided equally between the Group and Lincolnshire Publishing Company Limited.	£250,000 receivable by April 1989
							£200,000 receivable in December 1988
							7,257,000

H. PROPERTIES UNDER CONTRACT FOR PURCHASE

Property	Description, age and terms of contract
21-27 Tabernacle Street and 6 Epworth Street, London EC2	A development site extending to approximately 3,000 sq. ft. with detailed planning consent for the construction of a new office building of 12,865 sq. ft. on basement, ground and four upper floors behind a partly retained facade and incorporating a public house at ground and basement levels. The site is to be held on a 150 year lease from the Church Commissioners at a fixed rent of £1,000 per annum.
31-53 The Green, West Drayton, Middlesex	A disused factory/warehouse complex with a listed frontage to The Green, providing a total of approximately 40,000 sq. ft. on 0.83 acres. Planning consent is being sought for the redevelopment of the site with 20,650 sq. ft. of offices and the refurbishment of a house fronting The Green. The planning application has been approved subject to the imminent conclusion of a section 52 agreement. Contracts have been exchanged to purchase the freehold.
	Aggregate purchase price
	£5,050,000

PART III Accountants' report

The following is a copy of a report received from Coopers & Lybrand, Chartered Accountants, the Auditors and Reporting Accountants:



The Directors
Rockfort Group PLC
Hurst Grove
Hurst
Reading RG10 0SQ

The Directors
Rockfort Benson Limited
20 Fenchurch Street
London EC3P 3DB

24th June 1988

Dear Sirs

1. We have examined the audited accounts of Rockfort Group PLC (the "Company") and its subsidiary companies (together called the "Group") from 1st January 1983, or their date of incorporation or acquisition (if later), to 31st December 1987 or their date of disposal (if earlier). The subsidiary companies concerned and the commencement of the accounting periods covered by our report are set out below—

Rockfort Limited	1st January 1983
Rockfort Land Limited	1st January 1983
Rockfort Estates Limited	1st January 1983
Woodley Hastings Company Limited	1st January 1983
Rockfort Investments Limited	1st January 1983
Rockfort Homes Limited	1st January 1983
McCarthy Fit Limited	1st January 1983 (disposed of in May 1984)
Commercial Finishing Contractors Limited	1st January 1983 (disposed of in June 1985)
Rockfort Developments Limited	3rd May 1983
Rockfort Trustees Limited	19th August 1986
Langdown Management Limited	8th March 1987
Rockfort Project Management Services Limited	21st May 1987
Duncan Vincent Limited	1st July 1987

2. We have been auditors of the Group in respect of all of the above accounting periods. No audited accounts have been prepared for any period subsequent to 31st December 1987 in respect of any member of the Group.

3. The financial information set out in this report is based on the audited accounts of the companies in the Group after making such adjustments as we consider necessary. Our work has been carried out in accordance with the Auditing Guidelines: "Prospectuses and the Reporting Accountant."

4. No dividends have been paid in respect of any of the periods reported upon.

5. In our opinion, the financial information set out below gives a true and fair view of the results, and assets and application of funds of the Group for each of the five years ended 31st December 1987, and of the state of affairs of the Group at the end of each of those years.

Accounting policies

6. The significant accounting policies adopted in arriving at the financial information set out in this report, which have been consistently applied, are as follows—

- (a) Accounting convention
The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, the details of which are contained in note (h) to the balance sheets.
- (b) Basis of consolidation
The consolidated accounts include the results of the Company and all its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.
- (c) Goodwill
Goodwill arising on consolidation, being the excess of the purchase price over the net assets of subsidiary companies at the date of acquisition, and purchased goodwill, are normally written off immediately against reserves.
- (d) Tangible fixed assets
Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are—

	%
Freehold buildings	2
Equipment and motor vehicles	25
Office furniture and fittings	20
Computer equipment	33%

Leasehold land and buildings are amortised over the period of the lease. No depreciation is provided on freehold land. No depreciation is provided on freehold investment properties as they are dealt with in accordance with Statement of Standard Accounting Practice No. 15.
- (e) Investment properties
Completed investment properties are included in the accounts on an open market value basis. Valuation surpluses and deficits are transferred to the revaluation reserve. Investment properties in the course of development are included at the lower of cost or Directors' valuation.
- (f) Land, developments in progress and properties held for sale
These are valued at the lower of cost, excluding interest (see paragraph (i) below), and estimated net realisable value. Full provision is made for any losses that are likely to arise under development contracts.
- (g) Turnover
Turnover, which excludes value added tax and sales between Group companies, represents the invoiced value of goods supplied, properties and developments sold, including billings against architects' certificates on development contracts.

(a) Recognition of profit

Profits are recognised as follows—

- (i) commercial developments—on exchange of binding and substantially unconditional contracts for sale, or following practical completion, when a lease or agreement to lease has been exchanged;
- (ii) residential developments—following practical completion of a unit, when a contract for sale has been exchanged; and
- (iii) project management fees and other income—on an accruals basis.

(b) Interest

All interest, including interest arising on loans against land held for development and properties in the course of development, is expensed as incurred.

(c) Taxation

The charge for taxation is based on the results for the year as adjusted for disallowable items.

Taxation deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the estimated rate which will apply when the liability is expected to crystallise. No provision for deferred taxation is made on surpluses arising from the revaluation of land and buildings unless there is an intention to dispose of these.

The amount of unprovided deferred tax is calculated at the best estimate of corporation tax rates in the longer term and is analysed into its major components.

Consolidated profit and loss accounts

7. The consolidated profit and loss accounts of the Group for the five years ended 31st December 1987 are set out below—

Notes	Year ended 31st December				
	1983	1984	1985	1986	1987
Turnover	£13,117	£12,490	£12,911	£14,261	£23,261
Cost of sales	(10,691)	(11,159)	(11,222)	(11,821)	(17,949)
Gross profit	2,426	1,331	1,689	2,440	5,312
Net operating expenses	(1,022)	(877)	(814)	(838)	(1,423)
Operating profit	1,404	454	875	1,604	3,889
Share of profit of associated company	23	5	—	—	—
Interest payable and similar charges	(365)	(433)	(785)	(940)	(1,210)
Profit before taxation	1,062	26	90	664	2,679
Taxation profit on ordinary activities	(188)	(51)	(115)	(248)	(1,082)
Profit/(loss) on ordinary activities after taxation before extraordinary items	874	(25)	(25)	416	1,597
Extraordinary items	(8)	(186)	(75)	140	—
Profit/(loss) retained	866	(201)	(100)	556	1,597
Earnings per Ordinary Share (pence)	2.2	(0.1)	(0.1)	1.5	5.6

Movements on retained profits

	1983	1984	1985	1986	1987
Retained profit/(loss) at beginning of period	(296)	580	511	411	969
Retained for the period	874	(211)	(100)	556	1,597
Adjustment upon disposal of a subsidiary	—	142	—	—	—
Goodwill written off	—	—	—	—	(31)
Retained profit at end of period	580	511	411	969	2,592

Notes:

(a) Turnover
Turnover is made up as follows—

	Year ended 31st December				
	1983	1984	1985	1986	1987
Commercial developments	8,548	10,141	10,107	12,064	18,820
Residential developments	1,407	731	1,263	2,197	4,441
Construction-related activities	3,162	1,618	1,541	—	—
	13,117	12,490	12,911	14,261	23,261

(b) Gross profit

Gross profit is made up as follows—

	Year ended 31st December				
	1983	1984	1985	1986	1987
Commercial developments	1,768	747	1,212	2,033	4,492
Residential developments	398	88	222	347	823
Construction-related activities	260	495	249	—	—
	2,426	1,331	1,689	2,440	5,312

(c) Employee information

(i) The average number of persons, including executive Directors, employed by the Group was as follows—

	Year ended 31st December				
	1983	1984	1985	1986	1987
Average number of employees	88	51	25	18	29

(ii) Group employment costs, for all employees including executive Directors, was as follows—

	Year ended 31st December				
	1983	1984	1985	1986	1987
Salaries	£200	£200	£200	£200	£200
Employer's national insurance contributions	71	47	26	34	63
Employer's pension contributions	17	20	22	20	25
	£288	£267	£248	£254	£288

(d) Operating profit

Operating profit is stated after charging—

	Year ended 31st December				
	1983	1984	1985	1986	1987
£200	£200	£200	£200	£200	£200
Depreciation	85	73	83	67	99
Auditors' remuneration	23	15	15	17	23
Directors' emoluments	143	138	169	195	331

(e) Interest payable and similar charges

An analysis of interest payable for the five years ended 31st December 1987 is given below—

	Year ended 31st December				
	1983	1984	1985	1986	1987
£200	£200	£200	£200	£200	£200
On bank loans, overdrafts and other loans repayable within five years	306	433	786	923	1,002
On loans repayable wholly or partly in more than five years	59	—	—	17	208
	365	433	786	940	1,210

(f) Taxation on profit on ordinary activities

The taxation charge, which is based on the profit for the year, comprises—

	Year ended 31st December				
	1983	1984	1985	1986	1987
£200	£200	£200	£200	£200	£200
United Kingdom corporation tax based on the profit for the year	204	17	124	230	1,090
Transfer to/(from) deferred taxation	—	20	(9)	—	—
Adjustments in respect of previous years	(28)	12	—	16	(9)
Share of associated company's tax charge	8	2	—	—	—
Total taxation on profit on ordinary activities	186	51	115	246	1,082

(g) Extraordinary items

These comprise the following—

	Year ended 31st December				
	1983	1984	1985	1986	1987
£200	£200	£200	£200	£200	£200
Loss on disposal of subsidiary and associated companies	—	(186)	(75)	—	—
Capital receipt arising from the release from a contract to acquire a private company	—	—	—	200	—
Taxation	—	—	—	(80)	—
	—	(186)	(75)	140	—

(h) Earnings per Ordinary Share

The calculation of earnings per Ordinary Share has been based on the profit on ordinary activities after taxation but before extraordinary items, divided by the average number of shares in issue during the relevant accounting periods. The number of shares in issue has been adjusted to reflect the subdivision of £1 ordinary shares into 20p Ordinary Shares and the capitalisation issue which is taking place as part of the Offer for Sale. The numbers of Ordinary Shares used in the calculation were as follows—

	Year ended 31st December				
	1983	1984	1985	1986	1987
Thousands of shares					
Average number of shares (as adjusted)	40,173	40,173	38,583	28,423	26,554

Consolidated statements of source and application of funds

8. The consolidated statements of source and application of funds for the Group for the five years ended 31st December 1987 are set out below—

	Year ended 31st December				
	1983	1984	1985	1986	1987
£200	£200	£200	£200	£200	£200
Source of funds	1,062	26	90	664	2,679
Profit on ordinary activities before taxation	—	—	(186)	(75)	200
Extraordinary income/(charge)	1,062	(180)	15	984	2,679
Adjustments for items not involving the movement of funds:					
Depreciation of tangible fixed assets	85	73	83	67	99
Loss on disposal of tangible fixed assets	5	19	140	14	—
Previous year unrealised profits now realised	—	(33)	(5)	—	—
Adjustment on disposal of subsidiary and associated companies	—	142	76	—	—
Income from shares in associated company not represented by dividends received	(23)	(6)	—	—	—
Loss on short-term investments	—	—	—	—	146
Total generated by operations	1,129	35	309	945	2,921
Funds from other sources	—	—	—	1,024	—
Net proceeds of share issue	—	—	—	—	380
Issue of shares in a subsidiary company	—	—	—	—	47
Sale of tangible fixed assets	—	—	—	—	112
Sale of subsidiary company	—	—	—	—	10
Sale of associated company	—	—	—	—	—
	1,129	125	1,670	992	3,362
Application of funds:					
Acquisition of subsidiary companies (see note below)	—	—	—	—	(61)
Purchase of own shares	(719)	(976)	(955)	(955)	(1,085)
Purchase of tangible fixed assets	(2)	(90)	(131)	—	(87)
Taxation paid	414	(641)	1,034	297	2,109
Movement in working capital	(674)	397	(2,829)	1,458	(

ROCKFORT

Notes:-
The net assets acquired were:

Goodwill	31
Stocks	322
Debtors	(39)
Taxation	(13)
Development funding	(152)
Bank overdraft	(77)
	61

Consolidated balance sheets

5. The summarised consolidated balance sheets of the Group as at the end of each of the five years ended 31st December 1987 are set out below:-

	Notes	As at 31st December				
		1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Fixed assets						
Tangible assets	(a)	1,291	1,859	1,106	2,180	3,126
Investments		15	18	—	—	—
		<u>1,306</u>	<u>1,877</u>	<u>1,106</u>	<u>2,180</u>	<u>3,126</u>
Current assets						
Stocks	(b)	3,721	3,324	6,153	4,685	15,777
Debtors	(c)	665	1,041	3,778	4,003	1,474
Investments	(d)	—	—	—	—	238
Cash at bank and in hand		109	457	122	93	1,217
		<u>4,495</u>	<u>4,822</u>	<u>10,053</u>	<u>8,791</u>	<u>18,706</u>
Creditors - amounts falling due within one year	(e)	(3,873)	(3,633)	(9,311)	(7,801)	(14,745)
Net current assets		622	1,189	742	990	3,961
Total assets less current liabilities		1,928	3,066	1,848	3,170	7,087
Creditors - amounts falling due after more than one year	(f)	(584)	(1,712)	(182)	(438)	(2,412)
Provision for liabilities and charges	(g)	—	(31)	—	—	—
		<u>1,344</u>	<u>1,323</u>	<u>1,666</u>	<u>2,731</u>	<u>4,675</u>
Capital and reserves						
Called up share capital	(i)	614	614	947	947	957
Share premium account	(h)	—	—	90	30	131
Revaluation reserve	(g)	150	188	218	725	725
Profit and loss account		580	511	411	569	2,532
		<u>1,344</u>	<u>1,323</u>	<u>1,666</u>	<u>2,731</u>	<u>4,675</u>
Minority interest	(m)	—	—	—	—	330
		<u>1,344</u>	<u>1,323</u>	<u>1,666</u>	<u>2,731</u>	<u>4,675</u>

Notes:

(a) Tangible fixed assets

	As at 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Freehold properties					
Investment properties					
— at cost	60	—	—	—	—
— at valuation	1,035	1,170	380	360	742
Other freehold properties					
— at cost	—	538	—	11	471
— at valuation	—	—	650	1,700	1,700
Leasehold properties at cost	—	19	7	7	9
Other assets at cost	347	269	223	247	428
	<u>1,442</u>	<u>1,996</u>	<u>1,240</u>	<u>2,325</u>	<u>3,350</u>
Depreciation	(151)	(137)	(134)	(145)	(224)
Net book value	<u>1,291</u>	<u>1,859</u>	<u>1,106</u>	<u>2,180</u>	<u>3,126</u>

The investment properties comprise four fully let industrial units at Wallingford, Oxfordshire and a two storey new car showroom and workshop at Reading, Berkshire.

Other freehold property comprises the Group's head office at Hurst Grove, Reading, Berkshire.

(b) Stocks

The amounts attributable to the different categories are as follows:-

	As at 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Completed developments held for sale					
	573	16	5	848	845
Properties in the course of development					
	1,803	2,458	676	2,288	4,680
Land and property held for development					
	987	747	5,472	1,519	10,252
Contract work in progress	443	836	—	—	—
Other work in progress	47	—	—	—	—
	<u>3,858</u>	<u>3,857</u>	<u>6,153</u>	<u>4,656</u>	<u>15,777</u>
Less progress payments	(149)	(356)	—	—	—
Other stocks	17	2	—	39	—
	<u>3,721</u>	<u>3,324</u>	<u>6,153</u>	<u>4,685</u>	<u>15,777</u>

The properties included in the above total of £15,777,000 are the properties which have been valued as at 30th April 1986 by Jones Lang Wootton in Schedules B to E and G of the Property values' report set out in Part I of the listing particulars of the Company dated 24th June 1985, with the following exceptions:-

- (i) Properties included in the above total but which are not included in the above Schedules of the Property values' report:
- Poplar Lane, Wimmerah
Fairwinds Road, Kingston Baginbun
Part Lane, Swindon
Cubush Lane, Shinfield
 - These are not yet acquired. Value in stock represents initial costs and option payments.
 - Kern House, London WC2
Ashley Road, Parkstone
The Millards, Great Shefford
London Road, Staines
Hamwood Close, Woodley
 - Developments sold between 1st January and 24th June 1985.
 - Properties not included in the above total but which are included in the above Schedules of the Property values' report:
 - Kingsway Hall, London WC2
15 1/2-18 High Street, Bantary
Fisher's Court, Peppard Road, Reading
22-24 Stonegate and the Stonegate Arcade, York
The Grange, Northfield Avenue, Shipley
Golf Road, Deal
 - These were acquired between 1st January and 24th June 1985.
 - Kamylends Park, Essex Way, Reading
This is the freehold of flats completed in 1985 in respect of which no value has been attributed for company purposes.
 - St. Benedict's Square, Lincoln
This is a joint venture and related costs are included within project debtors.

(c) Debtors

	As at 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Trade debtors					
Prepayments and accrued income	70	23	20	22	116
Other debtors	70	84	231	258	247
Amounts owed by associated company	15	11	—	—	—
	<u>665</u>	<u>1,041</u>	<u>3,778</u>	<u>4,003</u>	<u>1,474</u>

(d) Investments

Investments relate to holdings of shares listed on the Stock Exchange and are stated at the lower of cost and market value. The market value of these investments as at 31st December 1987 amounted to £238,000. These investments were sold in April 1988.

(e) Creditors - amounts falling due within one year

	As at 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Bank loans and overdrafts					
Payments received on account	35	122	28	46	6
Trade creditors	1,544	1,225	1,313	1,065	1,146
Other creditors, including taxation and social security					
Accounts and deferred income	399	411	304	599	1,657
Amounts owed to associated company	129	127	195	190	589
	<u>665</u>	<u>1,041</u>	<u>3,778</u>	<u>4,003</u>	<u>1,474</u>

Bank loans and overdrafts are secured by specific charges over freehold properties, land held for development and properties in the course of development and, in some instances, by cross guarantees between certain Group companies. All bank loans and overdrafts bear interest at commercial rates.

Other creditors, including taxation and social security, are made up as follows:-

	As at 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
National Insurance contributions					
United Kingdom corporation tax	19	8	8	7	23
Hire purchase	262	147	98	434	1,412
Hire purchase	46	35	25	2	6
Other creditors	65	221	173	186	216
	<u>393</u>	<u>411</u>	<u>304</u>	<u>599</u>	<u>1,657</u>

(f) Creditors - amounts falling due after more than one year

	As at 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Bank loans and mortgages repayable between one and five years					
Bank loans and mortgages repayable after five years	293	1,625	175	250	1,468
Hire purchase	253	—	—	187	940
Hire purchase	55	27	7	2	4
	<u>599</u>	<u>1,712</u>	<u>182</u>	<u>439</u>	<u>2,412</u>

Bank loans are secured by specific charges over freehold properties and in some instances by cross guarantees between certain Group companies. Bank loans bear interest at commercial rates, and are generally repayable by quarterly instalments.

(g) Provision for liabilities and charges

	As at 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Deferred taxation					
Provision made	—	20	—	—	—
Accelerated capital allowances	—	11	—	—	—
Revaluation surpluses	—	31	—	—	—
	<u>—</u>	<u>62</u>	<u>—</u>	<u>—</u>	<u>—</u>

Save as stated above, no provision has been made for deferred taxation as no liability is expected to crystallise in the foreseeable future. An analysis of the potential liability is as follows:-

	Year ended 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Capital allowances					
Other short-term timing differences	438	108	97	95	84
Revaluation surpluses	—	—	—	—	(68)
Unrelieved capital losses	—	45	33	3	215
	<u>484</u>	<u>141</u>	<u>130</u>	<u>98</u>	<u>226</u>

(h) Pension obligations

The Group is contracted into the State scheme. In addition, certain Group employees are covered by a contributory pension scheme which provides eligible employees with a pension on retirement.

(i) Called up share capital

	Year ended 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Ordinary shares of £1 each					
Authorised	614	614	2,000	2,000	2,000
Allocated, called up and fully paid at beginning of the period	614	614	614	947	947
Shares issued during the period	—	—	933	—	10
Shares repurchased during the period	—	—	(600)	—	—
At the end of the period	<u>614</u>	<u>614</u>	<u>947</u>	<u>947</u>	<u>957</u>

(i) By an ordinary resolution of the Company passed on 12th December 1985, the authorised share capital was increased to £2,000,000 by the creation of 1,386,250 ordinary shares of £1 each;

(ii) On 12th December 1985, the Company allotted 95,496 ordinary shares of £1 each for a total consideration of £1,100,000;

(iii) On 12th December 1985, the Company allotted 338,199 ordinary shares of £1 each by way of capitalisation of the sum of £338,199 standing to the credit of the Company's share premium account to the registered holders of the then 709,246 ordinary shares of £1 each in the proportion of 13 new ordinary shares of £1 each for every 11 ordinary shares of £1 then held;

(iv) On 12th December 1985, the Company purchased 600,000 ordinary shares of £1 each at par. The purchase price was met from the proceeds of the issue referred to in (i) above; and

(v) On 13th July 1987, the Company allotted 9,474 ordinary shares of £1 each for a total consideration of £9,474 which was paid in cash. The allotment was made pursuant to the exercise of an option;

(j) Options on Ordinary Shares

Options have been granted to C. M. Brooks and A. H. Lyons pursuant to the Rockfort Group PLC 1985 Executive Share Option Scheme in respect of 1,437,130 Ordinary Shares of 20p each (as adjusted for the reorganisation of the share capital and the bonus issue referred to in notes (i) to (v) above), exercisable at a price of 23.33p per share.

(k) Share premium account

	Year ended 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
At beginning of the period					
At the end of the period					
At the end of the period	—	—	1,026	—	41
Expenses of the issue	—	—	(77)	—	—
Bonus issue of shares	—	—	(838)	—	—
At the end of the period	—	—	<u>90</u>	<u>90</u>	<u>131</u>

(l) Revaluation reserve

	Year ended 31st December				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Property valuation surplus at beginning of the period					
Surplus arising on revaluation in the year	—	150	198	218	725
Provision for deferred taxation	150	73	198	507	—
Adjustment arising from disposal of a subsidiary company	—	(33)	(6)	—	—
Surplus arising from release of a provision no longer required	—	—	19	—	—
Transfer on disposal of a property in the period	—	—	(173)	—	—
At the end of the period	<u>150</u>	<u>198</u>	<u>218</u>	<u>725</u>	<u>725</u>

The balances shown above represent unrealised revaluation surpluses and are not available for distribution.

(m) Minority interest

The minority interest is in respect of redeemable preference shares in a subsidiary company held by a Director (see note (g)).

(n) Capital expenditure approved:-

	As at 31st December 1987 the Group had the following capital expenditure authorised by the Directors:-				
	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Contracted for					
Contracted for	—	—	—	—	234
Not contracted for	—	—	—	—	40
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>274</u>

included within capital expenditure contracted for is £149,000 in respect of a property under construction in Spain.

(o) Contingent liabilities and financial commitments

At 31st December 1987, the Company had given guarantees in respect of bank borrowings of subsidiary companies amounting to £945,000.

(p) Post balance sheet events

On 22nd June 1988, each of the existing 2,000,000 issued and unissued ordinary shares of £1 each was sub-divided into the Ordinary Shares of 20p each and the authorised share capital of the Company was increased from £2,000,000 to £11,800,000 by the creation of a further 9,800,000 Ordinary Shares of 20p each. On the same date, conditional upon admission of the Ordinary Share capital of the Company to the Official List of the Stock Exchange taking place on or before 15th July 1988;

(i) 14,252,430 Ordinary Shares of 20p each were provisionally allotted to Kleinwort Benson Limited (for itself and as nominee for successful applicants and/or underwriters and their renounees in the Offer for Sale);

(ii) conditional upon the issue of the 14,252,430 Ordinary Shares of 20p each to Kleinwort Benson becoming effective and the crediting of the premium arising on each issue to the share premium account of the Company, 23,522,975 new Ordinary Shares of 20p each were allotted by way of capitalisation of the sum of £4,784,595 standing to the credit of the Company's share premium account, to the holders of the Ordinary Shares on the register at the close of business on 22nd June 1988 in the proportion of five new Ordinary Shares of 20p each for every Ordinary Share of 20p then held; and

(iii) the redeemable preference shares referred to in note (m) above were redeemed at par, together with the accrued dividend.

Yours truly

Coopers & Lybrand
Chartered Accountants

PART IV Information relating to the profit forecast and estimate of pro forma net tangible assets

1. Bases and assumptions of the profit forecast

The Group's profit estimate for the four months ended 30th April 1988 and the estimate of the Group's pro forma net tangible assets at that date, together with its profit forecast for the year ending 31st December 1988, are set out in "Profit forecast" and "Estimate of pro forma net tangible assets" in Part I above. The profit estimate and the estimate of pro forma net tangible assets are based on the unaudited management accounts of the Group for the four months ended 30th April 1988 and on the Group's budgets and projections for the last eight months of the year. The profit forecast is based on the unaudited management accounts of the Group for the four months ended 30th April 1988 and on the Group's budgets and projections for the last eight months of the year. The profit forecast is based on the unaudited management accounts of the Group for the four months ended 30th April 1988 and on the Group's budgets and projections for the last eight months of the year. The profit forecast is based on the unaudited management accounts of the Group for the four months ended 30th April 1988 and on the Group's budgets and projections for the last eight months of the year.

- (i) there will be no changes in legislation or governmental regulation or policies which will have a material impact on the Group's business;
- (ii) there will be no adverse economic or weather conditions affecting the Group; and
- (iii) there will be no serious industrial action or other interruptions to the Group's business outside the Directors' control.

2. Letters

The following are the texts of letters from Coopers & Lybrand, the Reporting Accountants, and Kleinwort Benson, the Financial Advisers, concerning the profit forecast and estimate and the estimate of pro forma net tangible assets:

ROCKFORT

Name	Issued and fully paid share capital	Date of incorporation	Nature of business
Langdon Management Limited	2 ordinary shares of £1 each	1st March 1982	Property development
Rockfort Developments Limited	100 ordinary shares of £1 each	3rd May 1983	Domestic
Rockfort Trustees Limited	2 ordinary shares of £1 each	15th August 1986	Trustees
Duncan Vincent Limited	2 ordinary shares of £1 each	8th December 1986	Estate agents
Rockfort Project Management Services Limited	2 ordinary shares of £1 each	21st May 1987	Project managers

(8) On 26th July 1987 Rockfort Homes allotted 330,000 redeemable preference shares of £1 each to C. M. Brooks, a Director, at par for cash. On the same day Rockfort Homes allotted a further 578,517 ordinary shares of £1 each in its capital to the Company at par for cash. Each such allotment was made pursuant to the terms of the Subscription Agreement dated 20th July 1987, brief particulars of which are given in paragraph 15 below. It has been agreed that the redeemable preference shares will be redeemed, conditional upon the Offer for Sale Agreement referred to in paragraph 8 below becoming wholly unconditional. Pursuant to an agreement dated 24th June 1988 (material contract (ii) below), C. M. Brooks has agreed to purchase from R. G. Smees 321,500 Ordinary Shares at the Offer Price, conditional as aforesaid. The 578,517 issued ordinary shares of £1 each in Rockfort Homes are all held by the Group.

3. Share capital

(A) Pursuant to a special resolution of the Company passed at an Extraordinary General Meeting of the Company on 23rd June 1988:

- (i) The Directors were generally and unconditionally authorised, pursuant to section 80 of the Companies Act 1985, to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company as increased by the resolution referred to in sub-paragraph (i)(iv) above, such authority to expire at the conclusion of the Annual General Meeting of the Company next following the passing of such resolution (save that the Company may at any time prior to the expiry of such authority make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such offer or agreement as if such authority had not expired);
- (ii) The Directors were given power, pursuant to section 95 of the Companies Act 1985 (with such power expiring at the conclusion of the next Annual General Meeting of the Company) to allot equity securities (as defined in section 94(2) of the said Act) for cash pursuant to the authority referred to in sub-paragraph (i) above as if section 89 of the said Act did not apply to such allotment, in respect of up to 14,442,430 Ordinary Shares (including those to be subscribed pursuant to the Offer for Sale Agreement referred to in paragraph 8 above), and additionally, where it is in the opinion of the Directors necessary or expedient so to do, in connection with a rights issue. The Company may, before the expiry of such authority, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if such power had not expired.

The Company remains subject to the continuing obligations of The Stock Exchange with regard to the issue of securities for cash and the provisions of section 89 of the Companies Act 1985 (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of the Company which is not the subject of the despatch referred to above.

(B) Save as disclosed in paragraphs 1 and 2 above, in the three years preceding the date of this document there has been no issue of shares or loan capital of the Company and no material issue of shares or loan capital of any subsidiary (including that subsidiary issued by wholly-owned subsidiaries and pro rata issues by partly-owned subsidiaries) for cash or other consideration and no commissions, discounts, brokerages or other special terms (except pursuant to the Offer for Sale Agreement referred to in paragraph 8 below) have been granted by the Company or any subsidiary in connection with the issue, conversion or sale of any such capital.

(C) Save in connection with the Rockfort Group PLC 1988 Executive Share Option Scheme, or pursuant to the Offer, no share or loan capital of the Company or any subsidiary is proposed to be issued or is under option, or is agreed, conditionally or unconditionally, to be put under option.

(D) Following the Offer 16,000,000 Ordinary Shares will remain unissued of which 2,353,546 are reserved for issue under the Rockfort Group PLC 1988 Executive Share Option Scheme.

(E) Save for Ordinary Shares reserved for issue under the Rockfort Group PLC 1988 Executive Share Option Scheme, or pursuant to or in connection with the Offer, no material issue of shares (other than that referred to in paragraph 8 above) will be made by the Company within one year of the date of this document without the prior approval of the Company in General Meeting.

(F) Following the Offer, Rockfort Trustees Limited, a wholly-owned subsidiary of the Company, will hold 843,180 Ordinary Shares in the Company (having an aggregate nominal value of £168,326) as trustee of a trust created for the benefit of employees generally.

4. Memorandum and Articles of Association

The Memorandum and Articles of Association of the Company provides that the Company's principal objects are to carry on the business of land and property developers and dealers and to act as, and to perform the functions of, a holding company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association, which is available for inspection at the address specified in paragraph 18 below.

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

(A) **Voting**
Subject to disenfranchisement in the event of non-compliance with a statutory notice requiring disclosure as to beneficial ownership, and subject to any special terms as to voting on which any shares may have been issued or held (no shares having been issued subject to special terms) and provided that no calls or other monies are due in respect of shares held by him, every member present in person shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for every 20p nominal of share capital of the Company held by him.

(B) **Variation of rights and alteration of capital**
(i) All or any of the rights or privileges attached to any class of shares may, subject to the Companies Act 1985, be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of such provision, either with the consent in writing of the holders of the shares to which such rights relate or the consent of the holders of the issued shares of the class or with the sanction of an Extraordinary Resolution (as defined) passed at a separate meeting of the holders of the issued shares of that class, but not otherwise.

(ii) The Company may by ordinary resolution increase its share capital, consolidate all or any of its shares into shares of a larger amount, sub-divide its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

(iii) The Company may, subject to the provisions of the Companies Act 1985, by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

(C) **Transfer of shares**
The instrument of transfer of a share shall be in the usual common form or such other form as shall be approved by the Directors and shall be executed at the registered office of the Company or at such other place as the Directors may appoint. The instrument of transfer of a share shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The Directors may in their absolute discretion and without assigning any reason therefor refuse to register any transfer of shares unless:

- (i) it is in respect of a fully paid share;
 - (ii) it is in respect of a share over which the Company does not have a lien;
 - (iii) it is in respect of only one class of shares;
 - (iv) it is in favour of not more than four joint holders as transferees; and
 - (v) it is lodged at the registered office of the Company or such other place as the Directors may determine, accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to prove the title of the transferor and due execution of the transfer by him or, if the transfer is executed by some other person on his behalf, the authority of that person so to do.
- The Articles do not contain any pre-emption rights. The Ordinary Shares are in registered form.

(D) Directors

(i) A Director shall not vote or be counted in the quorum in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has any material interest other than as a holder of shares in, or debentures or other securities of, the Company. However, a Director shall be entitled to vote and be counted in the quorum in circumstances where the resolution relates:

- (a) to the giving to him of any guarantee, security or indemnity in respect of money lent to or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) to the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (c) to a proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription, purchase or exchange in which he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) to a contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested (directly or indirectly) in one per cent. or more of any class of the equity share capital of such company or of the voting rights available to the members of such company;
- (e) to any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefit scheme under which he may benefit and which relates both to employees of the Company and Directors or which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes and does not accord to any Director as such any privilege or advantage not accorded to the employees of the Company;
- (f) to any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of any scheme for enabling employees including full-time executive Directors of the Company or any subsidiary to acquire shares in the Company or to any arrangement for the benefit of employees of the Company or any subsidiary under which the Director benefits in a similar manner to employees.

(ii) A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment, re-appointment or removal or any extension thereof.

(iii) The total fees available to be distributed to the Directors of the Company shall be £50,000 or such annual sum as is decided on by the Company in General Meeting and may be divided among the Directors in such manner as they may determine.

(iv) The remuneration of any executive Director of the Company shall, subject as provided in any contract, be such as the Directors may from time to time determine, and may include the making of provision for the payment to him, his widow or other dependants, of a pension on retirement from the office of employment to which he is appointed and for the participation in pension, life assurance and other benefits, or may be upon such other terms as the Directors determine.

(v) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them respectively in or above the performance of their duties as Directors including any expenses properly incurred in attending meetings of the Board or Committees of the Board or general meetings and if in the opinion of the Directors it is desirable that any of their number should go or reside abroad or make special journeys or perform any special services on behalf of the Company or its business, such Director or Directors may be paid such reasonable additional remuneration and expenses therefor as

- (vi) the Directors may from time to time determine.
- (vii) A Director shall be capable of being appointed or re-elected a Director despite having attained the age of seventy or any other age and no special notice shall be required in connection with the appointment of any such Director, nor shall he be required to retire by reason of his having attained that or any other age.
- (viii) A Director shall not require a share certificate.
- (ix) Unless otherwise determined by the Company in General Meeting, the number of Directors shall not be less than two.

(E) Borrowing powers

The Directors may exercise all the powers of the Company to raise or borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and, subject to the Companies Act 1985, to issue debentures, debenture stock or other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any subsidiary or third party. The Directors shall restrict the borrowings of the Company and its subsidiaries so as to secure that the aggregate amount (after adjustments provided for in the Articles of Association) at any one time owing by the Group in respect of monies borrowed, determined in accordance with the Articles of Association, shall not at any time (without prior approval by the Company in General Meeting) exceed a sum equal to three times the aggregate of the nominal amount paid up on the share capital of the Company for the time being in issue and the amounts standing to the credit of the consolidated reserves of the Group (determined in accordance with the Articles of Association).

(F) Dividends and distribution of assets on liquidation

Subject to any preferential or special rights attaching to any shares issued by the Company in the future, the holders of the Ordinary Shares are entitled *pari passu* amongst themselves, but in proportion to the number of shares held by them and to the amounts paid up or credited as paid up thereon, to share in the whole of the profits of the Company paid out as dividends. The Articles do not alter the entitlement of the holders of Ordinary Shares to shares in the whole of any surplus in the event of the liquidation of the Company.

(G) Unclaimed dividends

Any dividend unclaimed after a period of 12 years from its date of declaration shall be forfeited and shall revert to the Company.

(H) The Directors may (by establishment or maintenance of all kinds of schemes, funds and trusts or otherwise) provide or pay pensions, annuities, gratuities or superannuations or other allowances or benefits to any director, ex-director, employee or ex-employee of the Company or any of its subsidiaries or any retired or associated company or any wife, widow, children, or other relatives or dependants of any such person.

(I) Untraced shareholders

The Company may sell any shares in the Company of a member who is untraced (i) during a period of 12 years, no notice or warrant addressed to the member has been issued and the Company gives three months' notice in a leading London daily newspaper and a newspaper circulating in the area of the member's registered address of its intention to sell and also gives notice to The Stock Exchange accordingly.

5. Directors' and other interests

(A) For the purposes of sections 324, 325 and 326 of the Companies Act 1985, the interests of the Directors in the Ordinary Shares of the Company (all of which are beneficial except as set out below) are as follows (on the assumption that the resolutions referred to in paragraph 10(B)(v) become unconditional) and immediately following the Offer will be as follows:

R.G. Smees (Note 1)	At present		Following the Offer		Options (Note 2)	
	No. of Ordinary Shares (%)	No. of Ordinary Shares (%)	No. of Ordinary Shares (%)	No. of Ordinary Shares (%)	No. of Ordinary Shares (%)	No. of Ordinary Shares (%)
R.G. Smees	19,320,000 (69%)	19,320,000 (61.1%)	271,424	271,424	—	—
M.G. Toh	300,000 (1.1%)	300,000 (1.1%)	185,712	185,712	—	—
C.M. Brooks (Note 3)	—	321,500 (1.1%)	—	321,500 (1.1%)	1,071,408	1,071,408
R.M. Mays-Smith	—	—	—	—	—	—

Note: (i) The Ordinary Shares in which R. G. Smees is interested include 3,135,000 Ordinary Shares held by or on behalf of trustees of settlements made by him.

(ii) The Ordinary Shares in which C. M. Brooks is interested comprise Ordinary Shares which he has agreed to purchase from R. G. Smees at the Offer Price conditionally upon the Offer for Sale Agreement referred to in paragraph 8 below becoming wholly unconditional.

(iii) The options held by R. G. Smees and M. G. Toh are exercisable between 23rd June 1991 and 22nd June 1996 at the Offer Price. The option held by C. M. Brooks is exercisable between 5th October 1990 and 4th October 1997 at 83.58p per Ordinary Share in respect of 857,190 Ordinary Shares and between 23rd June 1991 and 22nd June 1996 at the Offer Price in respect of 214,278 Ordinary Shares. These options have all been granted under the provisions of the Rockfort Group PLC 1988 Executive Share Option Scheme.

(iv) It is intended that, following the Offer, an option will be granted to R. M. Mays-Smith over 25,000 Ordinary Shares at the Offer Price, under the provisions of the Rockfort Group PLC 1988 Executive Share Option Scheme which allow for the grant of non-approved options.

(v) No Director will apply for Ordinary Shares in the Offer.

(C) R. G. Smees has created The Smees Foundation, a charitable trust to assist the education of and to benefit young people in the Berkshire area. Once the restrictions on the disposal of Ordinary Shares referred to in paragraph 8(B) below have expired, he has agreed to transfer approximately 200,000 Ordinary Shares to the trustees of The Smees Foundation.

(D) Save as disclosed in this paragraph and in paragraph 2 above, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries.

(E) Following the Offer, 4,960,000 Ordinary Shares will be held by Kleinwort Benson Investment Trust Limited (a wholly-owned subsidiary of Kleinwort Benson), representing 11.5 per cent. of the Company's enlarged issued share capital. Save for such shareholding and for the shareholdings set out in sub-paragraph (A) above, the Directors are not aware of any shareholding which represents, following the Offer, will represent five per cent. or more of the Company's issued share capital or of any other persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

(F) Save as disclosed herein, no Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which (i) were effected by the Company during the current or immediately preceding financial year, or (ii) were effected by the Company during an earlier financial year and remain in any respect outstanding or unperformed.

6. Directors' service agreements

On 23rd June 1988, the following executive Directors entered into service agreements with the Company, each of which is terminable by the Company giving not less than three years' prior written notice or by the Director giving not less than six months' prior written notice:—

Name	Nature of appointment	Annual salary (inclusive of Director's fees)
R.G. Smees	Chairman and Managing Director	£190,000
M.G. Toh	Group Finance Director	£ 65,000
C.M. Brooks	Managing Director, Rockfort Homes	£ 75,000

In addition to the annual salary referred to above, each Director will be entitled to a discretionary bonus of an amount to be decided by a committee comprising R. G. Smees (save in the case of his own discretionary bonus), R. M. Mays-Smith and A. J. M. Huntley. R. G. Smees will be entitled to a minimum bonus equivalent to one per cent. of the Company's net profits before tax.

(B) Save as disclosed above, there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries.

(C) The aggregate remuneration paid (including the discretionary bonuses referred to above) and benefits in kind granted to the Directors by the Group during the year ended 31st December 1987 amounted to £270,309 and the aggregate amount payable to Directors under the arrangements in force at the date of this document (excluding discretionary bonuses) are estimated to amount to £285,000 during the year ending 31st December 1988.

7. The share option scheme

On 15th December 1988, the Company adopted the Rockfort Group PLC 1988 Executive Share Option Scheme (the "Scheme") the principal features of which, as from the date of Admission will, subject to Inland Revenue approval of certain amendments, be as follows:—

- (A) The scheme will provide for the grant to certain Directors and employees of the Group of options to acquire Ordinary Shares. Although it has been approved by the Inland Revenue under the Finance Act 1984, it contains provision for the grant of non-approved options as well as approved ones. Options may be granted either by the Company or by the trustees of a trust established by the Company for this purpose.
- (B) Any Director or employee who is required to devote to the service of the Group substantially the whole of his working time, and in any event at least 20 hours a week (25 hours in the case of a Director), and who is not within two years of retirement, will be eligible to participate in the scheme at the invitation of the Directors.
- (C) Options may be granted under the scheme within the period of six weeks from Admission, within two weeks from the date on which the amendments to the scheme are approved by the Inland Revenue and within five weeks from the date of the announcement by the Company of its annual or half-yearly results. However, options may not be granted later than two years after Admission. No price will be payable for the grant of an option. Options will not be transferable.
- (D) The price payable for Ordinary Shares under an option will be determined by the Directors or the trustees, but will not be less than the middle-market quotation of Ordinary Shares as derived from The Stock Exchange Daily Official List on the first trading day falling within the 21 days ending with the date of grant of the option or, if later, on the dealing day following the last announcement by the Company of its results. The price will not in any event be less than the nominal value of an Ordinary Share, except where the option is granted by the trustees.
- (E) The scheme will be subject to the following limits:—
 - (i) the total number of Ordinary Shares which may be issued under the scheme may not exceed 4,300,000 (representing ten per cent. of the ordinary share capital of the Company in issue on Admission), but this number may be adjusted as mentioned in sub-paragraph (F) below;
 - (ii) the number of Ordinary Shares which may be made available for issue in any ten-year period under the scheme and any other executive share option scheme adopted by the Company may not exceed five per cent. of the ordinary share capital of the Company in issue from time to time;
 - (iii) the number of Ordinary Shares which may be made available for issue in any three-year period under the scheme and any other employees' share scheme adopted by the Company may not exceed three per cent. of the ordinary share capital of the Company in issue from time to time;
 - (iv) the number of Ordinary Shares which may be made available for issue in any ten-year period under the scheme and any other employees' share scheme adopted by the Company may not exceed ten per cent. of the ordinary share capital of the Company in issue from time to time;
 - (v) the total subscription price payable for Ordinary Shares under options granted to any one employee or Director under the scheme and any other executive share option scheme adopted by the Company may not in any ten-year period exceed four times the higher of his rate of annual remuneration and his actual remuneration for the last year as at the date of grant of any option.
- (F) For the purposes of the limits in (i) to (v) above, options granted before Admission otherwise than at the Offer Price will be disregarded.
- (G) An option granted under the scheme may not normally be exercised earlier than three years after its grant, and may not in any event be exercised more than ten years (seven years if non-approved) after its grant. Furthermore, an option may not normally be exercised unless there is a real growth in the Company's earnings per share over a three-year period by reference to the retail price index. However, an option holder dies while in the employment of the Group, his personal representatives may exercise his option during the following twelve months. Early exercise of an option is also allowed if an option holder ceases to be employed by the Group by reason of injury, disability, redundancy or retirement. If an option holder ceases to be employed by the Group for any other reason, his option may not be exercised at all unless the Directors so permit.
- (H) Special provisions apply in the exceptional circumstances of a takeover, reconstruction or winding up of the Company, and such provisions may permit the early exercise of options; in the case of a winding up, for example, options will be exercisable for one month after notification thereof by the Directors.
- (I) Where a non-approved option is exercised, the Directors may determine that the option holder's entitlement may be satisfied in whole or in part by a payment equal to the benefit he would have obtained had he received Ordinary Shares in the usual way, and this payment may be applied on his behalf in subscribing for or otherwise acquiring Ordinary Shares at their middle-market quotation on the dealing day last preceding the date of exercise.

(G) All Ordinary Shares allotted under the scheme will rank *pari passu* in all respects with the Ordinary Shares for the time being in issue, save as regards any rights attaching to such Ordinary Shares by reference to a record date prior to the date of allotment. Application will be made to the Council of The Stock Exchange for Ordinary Shares so allotted to be admitted to the Official List.

(H) In the event of any increase or variation of the share capital of the Company (namely upon a capitalisation or rights issue, sub-division, consolidation or reduction), the Directors may make such adjustments as they consider appropriate to the total number of Ordinary Shares subject to the scheme as mentioned in sub-paragraph (E) (i) above, the number of Ordinary Shares subject to any option and the price payable for Ordinary Shares under any option. Except in the case of a capitalisation issue, any such adjustment must be confirmed in writing by the auditors of the Company to be in their opinion fair and reasonable.

(I) The Directors may at any time make any amendment to the scheme, provided that the prior approval of the Company in General Meeting is obtained in the case of any amendment to the advantage of option holders, to the provisions concerning the persons eligible to participate, the periods during which options may be granted and exercised, the price payable for the grant of options, the price payable for Ordinary Shares on the exercise of options, the transferability of options, the limits referred to in paragraph (E) above, the rights attaching to Ordinary Shares issued pursuant to options, variations of capital and alterations. However, this proviso will not apply if it is necessary or desirable to amend the scheme in order to obtain Inland Revenue approval, comply with any statutory provision, or to take account of a takeover, reconstruction or winding-up of the Company.

8. Offer for Sale arrangements

(A) By an agreement (the "Offer for Sale Agreement") dated 24th June 1988, (material contract (iv) in paragraph 15 below), Kleinwort Benson has agreed, conditionally on the resolutions referred to in paragraph 8(B)(v) above being passed and becoming unconditional, the issue of 14,292,430 Ordinary Shares to Kleinwort Benson for itself and as nominee for successful applicants in the Offer and/or underwriters and their nominees (being effected, the crediting of the premium arising on such issue to Kleinwort Benson prior to Admission, and Admission taking place not later than 15th July 1988, as agent for the persons referred to in sub-paragraph (b) below ("the Vendors")) to procure purchasers for, or failing which, to purchase Ordinary Shares from the persons and in the proportions set out in sub-paragraph (B) below (the "Offer for Sale Agreement"), for a total of 17,842,330 Ordinary Shares, or failing which, to subscribe itself, for a total of 17,842,330 Ordinary Shares in each case at 140p per share, and as agent as aforesaid, to offer for sale or subscription the aggregate of 17,842,330 Ordinary Shares to the public by means of the Offer at the Offer Price of 140p per share.

(B) The Vendors under the Offer for Sale Agreement and the number of Ordinary Shares being sold by each of them are:

Vendor	No. of Ordinary Shares to be sold
R. G. Smees	1,107,000
M. G. Toh	100,000
Kleinwort Benson Investment Trust Limited	2,142,900

(C) Under the Offer for Sale Agreement, the Vendors, the Directors and the Company have given certain general warranties and indemnities to Kleinwort Benson and its subsidiaries regarding taxation (including capital transfer tax). All the existing shareholders have also undertaken with Kleinwort Benson not to sell, save in certain limited circumstances, any of the Ordinary Shares in the Company retained by them following the Offer before the publication of the preliminary announcement of Rockfort's results for the year ending 31st December 1988.

(D) The Company and the Vendors will pay commissions to Kleinwort Benson at the rate of 2 per cent. on the value of the Ordinary Shares offered by Kleinwort Benson for subscription and sale respectively at the Offer Price. Out of these commissions, Kleinwort Benson will pay to sub-underwriters' commission at the rate of 1½ per cent. of the value of the Ordinary Shares being offered at the Offer Price and to Phillips & Drew Securities Limited commission at the rate of ½ per cent. of the value of the Ordinary Shares in respect of which underwriting participants are provided by them. The Company has agreed to pay all other costs, charges and expenses relating or incidental to the Offer and the application for Admission including The Stock Exchange Listing fee, the fees and expenses of the Reporting Accountants and Reporting Property Valuers, the charges of the Receiving Bankers and Registrars, its own and Kleinwort Benson's legal expenses and the costs of printing, advertising and circulating this Offer, together with a fee of £100,000 to Kleinwort Benson. Stamp duty reserve tax on transfer of the Ordinary Shares offered for sale on behalf of the Vendors at the rate of 50p per £100 (or part thereof) will be met by the Vendors.

(E) The total costs, charges and expenses payable by the Company in connection with the Offer are estimated to amount to £1.35 million (exclusive of VAT). The total remuneration of Kleinwort Benson and Phillips & Drew Securities Limited and sub-underwriters, including underwriting margins and commission, is estimated to amount to £250,000 (exclusive of VAT). The estimated cash proceeds available to the Company, net of fees, commissions and expenses payable, are estimated to amount to £18.86 million.

(F) The total amount to be raised by the Offer is £24.7 million.

(G) Preferential consideration will be given to valid applications received on preferential application forms for up to 100,000 Ordinary Shares from full-time employees of the Group at the close of business on 24th June 1988 (other than Directors). Each such employee may apply on a preferential basis for a maximum of 300 Ordinary Shares. To the extent that such employees make preferential applications for more than the number of Ordinary Shares available, such applications may be scaled down. Individuals making such applications must apply on applications on or scaled down to the number of Ordinary Shares available. Excess preferential applications will be treated as applications on public application forms.

(H) The principal establishment of the Group is Hurst Grove, Hurst, Reading details of which may be found in the Property values' report in Part II of this document.

9. Premises

The principal establishment of the Group is Hurst Grove, Hurst, Reading details of which may be found in the Property values' report in Part II of this document.

10. Taxation

(A) The Directors have been advised that following completion of the Offer, the Company is not expected to be a close company as defined in the Income and Corporation Taxes Act 1988.

(B) Clearance under provisions now re-enacted as Schedule 19 to the Income and Corporation Taxes Act 1988 have been obtained for the Company and its principal commercial property development company, Rockfort Land Limited, in respect of all accounting periods to 31st December 1987. The Directors have been advised that apportionments of income under the provisions referred to above are unlikely to be relevant.

(C) Clearance has been received from the Inland Revenue under the provisions of section 707 of the Income and Corporation Taxes Act 1988 in respect of the transactions involved in the Offer.

(D) Under current United Kingdom taxation legislation, when paying a dividend, no tax will be withheld by the Company but the Company will generally have to account to the Inland Revenue for Advance Corporation Tax (ACT) at a rate which is currently 1/3 of the dividend paid. United Kingdom resident shareholders are entitled to a tax credit in relation to the dividend received of an amount equal to the ACT paid by the Company in respect of such dividend, which in part, or scaled down, will be the shareholder's total income for United Kingdom taxation purposes. The tax credit is set against the shareholder's overall income tax liability. A repayment of tax from the Inland Revenue may be claimed if the shareholder is entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares, depends in general upon the provisions of any applicable double tax convention or agreement which exists between such countries and the United Kingdom, or whether the shareholder is a Commonwealth citizen or falls into certain other categories. Persons who are not resident in the United Kingdom, should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and what relief or credit may be claimed in the jurisdiction in which they are subject to taxation.

The above comments are intended as a general guide to the current position. Any person who is in any doubt as to his tax position should consult an appropriate professional adviser.

(E) Information concerning liability to stamp duty and stamp duty reserve tax in connection with the Offer is set out in the section headed "Basis of Acceptance and Dealing Arrangements" in Part VI of this document.

11. Auditors and financial information

(A) Coopers & Lybrand, Chartered Accountants, of Bridewell House, 6 Greyfriars Road, Reading RG1 1JG, have audited the accounts of the Company for the three financial years ended 31st December 1987.

(B) The financial information concerning the Group contained in this document does not amount to an agreement to sell within the meaning of section 254 of the Companies Act 1985. Full accounts of the Company and its subsidiaries for each financial year to which the financial information relates and on which the auditors gave unqualified reports, have been delivered to the Registrar of Companies.

12. Material changes

Save as disclosed herein, there has been no significant change in the financial or trading position of the Group since 31st December 1987.

13. Working capital

The Directors consider that having regard to the bank facilities available and the net proceeds of the Offer receivable by the Company, the Group has sufficient working capital for its present requirements.

14. Litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration proceedings and no litigation or arbitration proceedings are pending or threatened against the Company or any of its subsidiaries which may have, or have had during the 12 months prior to the date hereof, a significant effect on the Group's financial position

ROCKFORT

(C) The Company has entered into an agreement with Richard Ellis and A. J. M. Hurley, pursuant to which Mr. Hurley will act as consultant to the Group at an annual fee of £7,500 payable to Richard Ellis. The Company has also entered into an agreement with Kleinwort Benson and R. M. Mays-Smith, pursuant to which Mr. Mays-Smith will act as a non-executive Director of the Company for a period expiring in 1990 at an annual fee of £10,000 (excluding VAT and expenses).

(D) The Company has taken out key-man insurance in respect of R.G. Stone for £1,000,000 and in respect of M.G. Toth, C.M. Brooks and A. H. Lyons for £250,000 each.

(E) The Offer Price of 140p represents a premium of 120p per Ordinary Share over the nominal value of the Ordinary Shares.

(F) The Offer is being underwritten in full by Kleinwort Benson.

(G) It is expected that Letters of Acceptance will be posted on 8th July 1988 to successful applicants under the Offer and that the Ordinary Shares will be admitted to the Official List and dealings therein will commence on 11th July 1988.

18. Documents for inspection

Copies of the following documents may be inspected at the offices of Clifford Chance, Royce Keane, Aldermanbury Square, London EC2V 7LD during usual business hours on any weekday, Saturdays and public holidays excepted, for a period of 14 days following the date of publication of this document—

- the Memorandum and Articles of Association of the Company;
 - the audited consolidated accounts of the Company and its subsidiaries for the two years ended 31st December 1987;
 - the Property Valuers' report set out in Part II;
 - the Accountants' report set out in Part III and their statement of adjustments relating thereto;
 - the letters relating to the profit and pro forma net tangible assets estimates and the profit forecast set out in Part IV;
 - the service agreements of the Directors referred to in paragraph 6 above and of A. H. Lyons referred to in paragraph 17 above;
 - the agreements of A. J. M. Hurley and R. M. Mays-Smith referred to in paragraph 17 above;
- (8) the rules of the Rockfort Group PLC 1988 Executive Share Option Scheme;
- the material contracts referred to in paragraph 15 above; and
 - the written consents referred to in paragraph 16 above.

Dated 24th June 1988.

PART VI Terms and conditions of application

- Except where the context otherwise requires, words and expressions defined in the listing particulars dated 24th June 1988 (the "Listing Particulars") with regard to Rockfort Group PLC (the "Company") have the same meanings in these terms and conditions. The Procedure for Application and Basis of Acceptance and Dealing Arrangements sections in Part VI of the Listing Particulars form part of these terms and conditions.
- The Ordinary Shares comprised in the Offer consist of 14,292,430 Ordinary Shares ("Subscription Shares") offered for subscription by Kleinwort Benson as agent for the Company and 3,248,500 Ordinary Shares ("Vendors' Shares") offered for sale by Kleinwort Benson as agent for the Vendors. Letters of acceptance representing Subscription Shares will be printed in black and letters of acceptance representing Vendors' Shares will be printed in red.
- The contract arising from each acceptance of an application will be conditional upon the whole of the ordinary share capital of the Company, issued and now being issued, being admitted to the Official List of The Stock Exchange by not later than 15th July 1988, and upon the Offer for Sale Agreement referred to in paragraph 8 of Part V of the Listing Particulars becoming unconditional and not being terminated in accordance with its terms.
- Kleinwort Benson reserves the right to reject in whole or in part or to scale down any application, and in particular multiple or suspected multiple applications, and in respect of payment any cheque or banker's draft received before the conditions referred to in paragraph (3) above are satisfied. Application moneys received will be kept by National Westminster Bank PLC in a separate bank account. If the conditions referred to in paragraph (3) above are not satisfied or if any application is not accepted in whole or in part or is scaled down, the application moneys or, as the case may be, the balance thereof will be returned (without interest) to the first-named applicant by retaining the applicant's cheque(s) or banker's draft(s) or by sending a crossed cheque in favour of the first-named applicant through the post to the address of the first-named applicant at the risk of the person(s) entitled thereto. The right is reserved to reject any application in respect of which the applicant's cheque(s) or banker's draft(s) has/have not been duly met or paid, or has/have been dishonoured or stopped by 5.00 p.m. on Tuesday, 26th July 1988. The right is also reserved to reject any application in respect of which the relevant letter of acceptance has been retained pursuant to paragraph (6)(h) below if the applicant's cheque(s) or banker's draft(s) has/have not been duly met or paid, or has/have been dishonoured or stopped by 5.00 p.m. on Thursday, 4th August 1988.
- A total of up to 100,000 Ordinary Shares will be reserved in the first instance to meet preferential applications from full-time employees of the Group at the close of business on 24th June 1988 (other than Directors) on the preferential application forms made available to them. Each such employee will be permitted to make only one application on a preferential application form. Any Ordinary Shares not

taken up under the preferential arrangements will be made available to satisfy applications on public application forms.

- Applications (other than preferential applications) must be made on the accompanying application form. The application by you will, subject to acceptance, constitute an agreement between you, Kleinwort Benson, the Company and the Vendors in the terms set out herein. By completing and delivering an application form, you (as the applicant(s)):
- offer to purchase or subscribe for the number of Ordinary Shares specified in your application form for such smaller number for which the application may be accepted (at the Offer Price) on and subject to these terms and conditions and subject to the Listing Particulars and the Memorandum and Articles of Association of the Company;
- agree that you will accept such Subscription Shares and/or Vendors' Shares as may be allocated to you in accordance with the provisions of paragraph (4) below and appoint the relevant Vendor as your agent to notify the Board of Inland Revenue of and to pay (or procure Kleinwort Benson to make such notification and payment on such Vendor's behalf) any stamp duty reserve tax at the rate of 50p per £100 (or part thereof) on the consideration thereof at the Offer Price incurred as a result of being allocated Vendors' Shares being sold by such Vendor;
- authorise National Westminster Bank PLC to send (a) letter(s) of acceptance for the number of Ordinary Shares for which your application is accepted and/or a crossed cheque for any moneys returnable, by ordinary post, at your risk to the address of the first-named applicant as set out in your application form;
- agree that, in consideration of the Company and the Vendors agreeing that they will not prior to 15th July 1988 sell or offer any of the Ordinary Shares which are the subject of the Offer other than by means of the procedures referred to in the Listing Particulars, your application may not be withdrawn until after 15th July 1988 and that this paragraph shall constitute a collateral contract between you and the Company and/or the Vendors (as the case may be) which will become binding upon despatch by post to, or receipt by, National Westminster Bank PLC, New Issues Department of your application form;
- warrant that your remittance will be honoured on first presentation;
- agree that all applications, acceptances of applications and contracts resulting therefrom shall be governed by, and construed in accordance with, English law;
- warrant that, if you sign an application form on behalf of any other person or company, you have the authority to do so;
- agree that any letter of acceptance to which you may become entitled and any moneys returnable to you may be retained pending clearance of your remittance;
- warrant that you (and any principal of yours) have not issued, and will not issue, a depositary receipt (within the meaning of sections 88 and 94 of the Finance Act 1986) in respect of any of the Ordinary Shares for which you are applying, and that you (and any principal of yours) are not, and are not the nominee for, a person providing clearance services for the purposes of sections 70 and 96 of the Finance Act 1986 in respect of any of the Ordinary Shares for which you are applying;
- agree that, in respect of those Ordinary Shares for which your application has been received and is not rejected, acceptance of your application, subject to paragraph (4) above, shall be constituted, at the election of Kleinwort Benson, either by notification to The Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or by the determination of the number of Ordinary Shares for which your application is accepted pursuant to arrangements between Kleinwort Benson and National Westminster Bank PLC;
- agree that the basis of allocation of Subscription Shares and Vendors' Shares will be determined by Kleinwort Benson in its absolute discretion (after consultation with the Company);
- authorise the Company to issue any Subscription Shares for which your application is accepted to Kleinwort Benson and appoint Kleinwort Benson to hold such shares as nominee for you or any person(s) in whose favour the entitlements to such shares may be renounced on the basis that registration will subsequently be effected only in accordance with the terms of letters of acceptance to be issued by Kleinwort Benson, and subject as aforesaid, authorise National Westminster Bank PLC, New Issues Department or Kleinwort Benson to do all things necessary to procure that your name(s) or the name(s) of any person(s) in whose favour the entitlement to any Subscription Shares shall have been renounced is/are placed on the register of members of the Company as the holder(s) of such shares and authorise any representative of National Westminster Bank PLC, New Issues Department or Kleinwort Benson to execute and deliver any form of transfer or other document required for such purpose;
- authorise National Westminster Bank PLC, New Issues Department or Kleinwort Benson to do all things necessary to procure that your name(s) or the name(s) of any person(s) in whose favour the entitlement to any Vendors' Shares shall have been renounced is/are placed on the register of members of the Company as the holder(s) of such shares and authorise any representative of National Westminster Bank PLC, New Issues Department or Kleinwort Benson to execute and/or renounce any renounceable or other document of title required therefor;
- warrant, if Box 8 of the form of application is completed, that you are a charity or other category of persons falling within section 50(7) of the Finance Act 1986, or that you are applying in the ordinary course of your business as a market maker for the purposes of sections 89(1) and 89(3) of the Finance Act 1986 (or will be so before admission of the Ordinary Shares to the Official List of The Stock Exchange);
- warrant that you are not a U.S. person (which expression shall mean any person who is a national, citizen or resident of the United States of America, its possessions, territories and

all areas subject to its jurisdiction, or any political sub-division thereof, including corporations, partnerships or other entities created or organised through or by any estate or trust that is subject to United States Federal Income Taxation) and are not applying on behalf of, or with a view to the re-offer, sale, renunciation or transfer of any Ordinary Shares to, or for the benefit of, any such person; and

(j) confirm that in making your application, you are not relying on any information or representation in relation to the Company or its subsidiaries or any of the Ordinary Shares not contained in the Listing Particulars and accordingly agree that neither Kleinwort Benson, the Vendors nor the Company nor any person responsible solely or jointly for the Listing Particulars or any part of them shall have any liability for any information or representation not so contained.

(7) No person receiving a copy of the Listing Particulars or an application form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any legislation or other regulatory or legal requirements. Any person outside the United Kingdom wishing to make an application hereunder must satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including the obtaining of requisite governmental and other consents, the observing of any other requisite formalities and the payment of any issue, transfer and other taxes due in such territory.

(8) The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended. Accordingly, the Ordinary Shares may not be offered, sold, renounced or transferred, directly or indirectly, in the United States or to, or for the benefit of, any U.S. person or to, or for the benefit of, any U.S. person as part of the distribution of such shares.

Availability of listing particulars and application forms

Copies of the listing particulars and the application form, which will be published in the Financial Times and The Daily Telegraph on 27th June 1988, can be obtained until the Offer closes from:

Kleinwort Benson Limited
20 Fenchurch Street
London EC3P 3DB

Phillips & Drew Securities Limited
120 Moorfields
London EC2M 6XP

Rockfort Group PLC
Hurst Grove
Reading RG10 0SQ

National Westminster Bank PLC
New Issues Department
PO Box No 79
2 Princes Street
London EC2P 2BD

and from the following branches of National Westminster Bank PLC:

BIRMINGHAM
Colmore Centre
103 Colmore Row
Birmingham B3 3NS

BRISTOL
32 Corn Street
Bristol BS9 7UG

CARDIFF
117 St Mary Street
Cardiff CF1 1LG

LEEDS
8 Park Row
Leeds LS1 1QS

LIVERPOOL
22 Castle Street
Liverpool L69 2BE

LONDON
208 Piccadilly
London W1A 2DG

MANCHESTER
55 King Street
Manchester M60 2DB

NEWCASTLE-UPON-TYNE
24 Mosley Street
Newcastle-upon-Tyne NE1 1YW

READING
13 Market Place
Reading RG1 2EP

EDINBURGH
80 George Street
Edinburgh EH2 3DZ

GLASGOW
14 Blythswood Square
Glasgow G2 4AQ

PROCEDURE FOR APPLICATION

1 Insert in Box 1 (in figures) the number of Ordinary Shares for which you are applying. Applications must be for a minimum of 300 Ordinary Shares or in one of the following multiples:—

- for more than 300, but not more than 1,000 shares, in a multiple of 100 shares;
- for more than 1,000 shares, but not more than 5,000 shares, in a multiple of 500 shares;
- for more than 5,000 shares, but not more than 10,000 shares, in a multiple of 1,000 shares;
- for more than 10,000 shares, but not more than 50,000 shares, in a multiple of 5,000 shares;
- for more than 50,000 shares, in a multiple of 10,000 shares.

2 Insert in Box 2 (in figures) the amount of your cheque or banker's draft to be applied for the number of Ordinary Shares inserted in Box 1. For example:

Number of Ordinary Shares	Amount you must pay (£)
300	420
1,000	1,400
5,000	7,000
10,000	14,000
50,000	70,000

3 Date and sign the application form in Box 3. The application form may be signed by someone else on your behalf if duly authorised to do so. Persons signing on behalf of applicants who are individuals must enclose the relevant power(s) of attorney (or a certified copy thereof) for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity must be stated.

4 Insert your full name and address in BLOCK CAPITALS in Box 4. Applications may not be made by persons under the age of 18.

You must send the completed application form by post, or deliver it by hand, to National Westminster Bank PLC, New Issues Department, PO Box No. 79, 2 Princes Street, London EC2P 2BD, in each case so as to be received by not later than 10.00 a.m. on Monday, 4th July 1988.

If you post your application form, you are recommended to use first class post and to allow at least two days for delivery.

Photostat copies of application forms will not be accepted.

Multiple or suspected multiple applications may be rejected in their entirety.

5 You must pin a separate cheque or banker's draft to each completed application form. Your cheque or banker's draft must be made payable to National Westminster Bank PLC for the amount payable on application inserted in Box 2 and should be crossed "Not negotiable - Rockfort Offer". No receipt will be issued for this payment, which must be solely for this application.

Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for members of those Clearing Houses, and must bear the appropriate sorting code number in the top right hand corner. Applications may be accompanied by a cheque drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person named in Box 4.

6 You may apply jointly with other persons. You must then complete this application form to be completed by you or on behalf of each joint applicant (up to a maximum of three other persons). Their full name(s) and address(es) should be inserted in BLOCK CAPITALS in Box 5. Letters of acceptance in the names of joint applicants will be sent to the applicant named in Box 4.

7 Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 4 and sign in Box 3). Persons signing on behalf of applicants who are individuals must enclose the relevant power(s) of attorney (or a certified copy thereof) for inspection.

8 Complete Box 8 only if you are a charity or applying in the ordinary course of your business as a market maker and you are able to give the warranty in paragraph (6)(n) of the accompanying terms and conditions.

BASIS OF ACCEPTANCE AND DEALING ARRANGEMENTS

Applications for Ordinary Shares must be received by 10 a.m. on 4th July 1988 and the application list will close as soon thereafter as Kleinwort Benson may determine.

The basis on which applications have been accepted will be announced as soon as possible after the application list closes. It is expected that letters of acceptance will be posted to successful applicants by not later than 8th July 1988 and that dealings in the Ordinary Shares will commence on 11th July 1988. Dealings prior to receipt of letters of acceptance will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.

A total of up to 100,000 Ordinary Shares will be reserved in the first instance to meet preferential applications from full time employees of the Group at the close of business on 24th June 1988 (other than Directors). Each such employee may apply on a preferential basis for a minimum of 300 Ordinary Shares. To the extent that such employees make preferential applications for more than the number of Ordinary Shares available, such applications may be scaled down. Individual applications may be accepted in whole or in part, or scaled down, as the Directors may determine. Excess preferential applications will be treated as applications on public application forms.

Letters of acceptance will be renounceable until 3.00 p.m. on 5th August 1988. In cases of renunciation, letters of acceptance (duly completed in accordance with the instructions contained therein) must be lodged for registration by 3.00 p.m. on 5th August 1988. After this time an instrument of transfer must be used. Share certificates are expected to be despatched by first class post not later than 2nd September 1988.

The Commissioners of Inland Revenue have confirmed that they will accept notification and payment by Kleinwort Benson on behalf of the Vendors of any stamp duty reserve tax liability of applicants incurred on the acceptance of applications under the Offer for Vendors' Shares (as defined in the terms and conditions of application) as discharging any liability of such persons to notify and account for the tax under the Stamp Duty Reserve Tax Regulations 1986 (other than stamp duty reserve tax arising under section 63 (depositary receipts) or section 96 (clearance services) of the Finance Act 1986).

The Company and the Vendors have been advised that:

(i) where a person agrees with another for a consideration in money or money's worth to transfer rights represented by a letter of acceptance, that other person will generally be liable to stamp duty reserve tax at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration;

(ii) the conveyance or transfer on sale of Ordinary Shares, otherwise than by delivery of a renounced letter of acceptance prior to registration of renunciations, will generally be subject to ad valorem stamp duty on the instrument of transfer at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration; and

(iii) where an agreement to transfer Ordinary Shares is completed by a duly stamped instrument of transfer a charge to stamp duty reserve tax will not arise if certain conditions are satisfied.

Arrangements have been made for any stamp duty payable on the conveyance or transfer of Subscription Shares (as defined in the terms and conditions of application) pursuant to the Offer (other than stamp duty arising under section 67 (depositary receipts) or section 70 (clearance services) of the Finance Act 1986) to be borne by the Company. Successful applicants need take no action in relation to stamp duty or stamp duty reserve tax (save where any of sections 67, 70, 93 or 96 aforesaid applies) and purchasers of rights to Ordinary Shares represented by letters of acceptance who apply for registration by 3.00 p.m. on 5th August 1988 need take no action in relation to stamp duty (other than stamp duty arising under sections 67 or 70 aforesaid) although such persons may be liable to stamp duty reserve tax.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty reserve tax, and others may be liable at higher rates or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986. Any person who is in doubt as to his position should consult his professional advisers.

When considering what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other professional adviser.

APPLICATION FORM ROCKFORT GROUP PLC

(Incorporated in England and Wales, No. 1572900)

Offer for Sale by Kleinwort Benson Limited, as agents for the Company and the Vendors, of 17,842,330 Ordinary Shares of 20p each in Rockfort Group PLC at 140p per share, payable in full on application.

1 I/we offer to acquire	Ordinary Shares of 20p each in Rockfort Group PLC (or such smaller number of Ordinary Shares in respect of which this application may be accepted) at 140p per share on the terms and subject to the conditions set out in the Listing Particulars of the Company dated 24th June 1988 and subject to the Memorandum and Articles of Association of the Company		FOR OFFICIAL USE ONLY
	£		
	Dated <input type="text"/> 1988 Signature <input type="text"/>		
	PLEASE USE BLOCK CAPITALS		
2 and I/we attach a cheque or banker's draft for the amount payable, namely	Forename(s) in full <input type="text"/>		1 Form No
	Surname (Mr., Mrs., Miss or title) <input type="text"/>		2 Acceptance No
	Address in full <input type="text"/>		3 Shares allocated
	Postcode <input type="text"/>		4 Amount received
3	Forename(s) in full <input type="text"/>		£
	Surname (Mr., Mrs., Miss or title) <input type="text"/>		5 Amount payable
	Address in full <input type="text"/>		£
	Postcode <input type="text"/>		6 Amount returned
4	Forename(s) in full <input type="text"/>		7 Cheque No.
	Surname (Mr., Mrs., Miss or title) <input type="text"/>		£
	Address in full <input type="text"/>		8 Shares/Registration
	Postcode <input type="text"/>		
5 <input type="checkbox"/> Pin here your cheque or banker's draft for the amount inserted in Box 2, payable to National Westminster Bank PLC and crossed "Not Negotiable - Rockfort Offer"	Forename(s) in full <input type="text"/>		
	Surname (Mr., Mrs., Miss or title) <input type="text"/>		
	Address in full <input type="text"/>		
	Postcode <input type="text"/>		

Complete this section only when there is more than one applicant. The first or sole applicant should complete Box 4 and date and sign Box 3. Insert below only the name(s) and address(es) of the second and subsequent joint applicants, each of whose signatures, or the signature of the person signing on their behalf, is required in Box 7.

PLEASE USE BLOCK CAPITALS		
Forename(s) in full <input type="text"/>	Forename(s) in full <input type="text"/>	Forename(s) in full <input type="text"/>
Surname (Mr., Mrs., Miss or title) <input type="text"/>	Surname (Mr., Mrs., Miss or title) <input type="text"/>	Surname (Mr., Mrs., Miss or title) <input type="text"/>
Address in full <input type="text"/>	Address in full <input type="text"/>	Address in full <input type="text"/>
Postcode <input type="text"/>	Postcode <input type="text"/>	Postcode <input type="text"/>

Signature <input type="text"/>	Signature <input type="text"/>	Signature <input type="text"/>
--------------------------------	--------------------------------	--------------------------------

8 Complete this section only if you are a charity or a market maker and are able to give the warranty in paragraph (6)(n) of the terms and conditions set out in Part VI of the Listing Particulars dated 24th June 1988.

Name of charitable body/Market Maker <input type="text"/>	Registered No. of charitable body <input type="text"/>
---	--